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The Committee would like to thank all its witnesses for their submissions to the inquiry.

NOTE:

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Minutes of Evidence
TAKEN BEFORE THE SELECT COMMITTEE ON ECONOMIC AFFAIRS
TUESDAY 9 OCTOBER 2007

Present Griffiths of Fforestfach, L Paul, L
Kingsdown, L Sheldon, L
Lamont of Lerwick, L Skidelsky, L
Layard, L Turner of Ecchinswell, L
Macdonald of Tradeston, L Wakeham, L (Chairman)

Memorandum by Professor Robert Rowthorn, Cambridge University

Abstract
Since 1997 a new UK immigration policy has displaced previous policy aims, which were focused on minimizing settlement. Large-scale immigration is now seen as essential for the UK’s economic well-being, and measures have been introduced to increase inflows. The benefits claimed include fiscal advantages, increased prosperity, a ready supply of labour and improvements to the age-structure. Fears that large-scale immigration might damage the interests of unskilled workers are discounted.

This submission examines these claims. It concludes that the economic consequences of large-scale immigration are mostly minor, negative or transient, that the interests of more vulnerable sections of the domestic population may well be damaged, and that any economic benefits are unlikely to bear comparison with its substantial impact on population growth. Such findings are in line with those from other developed countries.

Although it does not benefit the UK population as a whole, large-scale immigration does benefit migrants, their families and sometimes their countries of origin. It can be argued that UK migration policy should take the interests of these other parties. This issue is not addressed in the present submission.

The Economic Impact of Immigration
Immigration has been increasing for many years, but the pace has accelerated noticeably since Labour came to power in 1997. The net inflow of non-British citizens into the UK trebled in the eight years from 1997 onwards, and there was also an increase in the net outflow of British citizens (Figure 1). In 2005, 474,000 non-British citizens entered the country as long-term immigrants and 181,000 left, making a net gain of 292,000 (after rounding).\(^1\) In the same year, 198,000 British citizens left the country as long-term emigrants and 91,000 returned from long-term emigration making a net loss of 107,000. Many people fear that cumulated over decades, these flows will have a serious impact on the sense of national identity and historical continuity, especially when viewed against the background of increasing separatist tendencies in Wales and Scotland.

Opinion polls regularly show widespread public concern about these developments. However, in this document, I restrict myself to narrower economic issues.

I argue that, taken as a whole, the large-scale immigration is of minor economic benefit to the existing population of the UK as a whole, although it is certainly of benefit to the immigrants, their families and sometimes their countries of origin. Large-scale immigration will lead to a rapid and sustained growth in population with negative economic and environmental consequences in the form of overcrowding, congestion, pressure on housing and public services, and loss of environmental amenities. It also undermines the labour market position of the most vulnerable and least skilled sections of the local workforce, including many in the ethnic minority population, who must compete against the immigrants. There are, of course, domestic beneficiaries of large-scale migration. These include employers who can obtain good workers at close to the minimum wage, or even less, and the consumers of goods and services that rely heavily on migrant labour.

\(^1\) A long-term migrant is one who resides, or intends to reside, for more than one year in a foreign country.
1. Demographic Issues

Figure 2 shows projections of future UK population under various assumptions about migration. Three of these projections are taken directly from the Government Actuary’s Department (GAD) website, and the other is my own estimate based on information provided on this website. All of these projections assume the same age-specific birth and death rates and they differ only in what they assume about international migration. Details are as follows:

A. Natural Change. This shows what GAD projects would happen if there were no migration at all. Under this variant the population rises for a time and then declines to about 53 million by 2074.

B. Zero Net Migration. This is my own estimate of what would happen if as many people left the UK each year as entered. Since immigrants are on average younger than emigrants, they will have more children in the future. This helps to retard the decline in population. By exporting some of our older people and importing an equal number of younger foreigners, we ensure that more children are eventually born in the UK and thereby add 3 million to the national population by 2074.

C. Principal Projection. This shows what GAD considers is most likely to happen. It assumes that net migration (all nationalities combined) averages 145,000 per year. Under this projection, population increases quite rapidly at first and then starts to flatten off, reaching approximately 71 million by 2074.

D. High Migration. This shows what GAD projects would happen if net migration were to average 205,000 per annum. Note that this is the average rate of net migration actually observed during the latest two years for which statistics are available. Under this variant, population reaches almost 77 million by 2074.

By comparing the above projections, we can get an idea of how international migration might affect the UK population in the future. Total population under the High Migration variant (D) is about 24 million larger by 2074 than under the Natural Change variant (A). This difference is entirely due to migration. Some 14 million of the total is because more people enter the country than leave, and 10 million to the fact that the immigrants are mostly young and bear children in the UK.

It is important to recognise the role of extra births in the context of migration. Estimates by GAD imply that, at the margin, for every extra 1,000 migrants who settle in the country, the eventual population increase is around 1,400. This knock-on effect is only felt after a delay and its existence is concealed in ONS publications such as press releases and Population Trends. These focus only on the immediate impact of migration and ignore the additional children that will be born in the country as a result of migration.

Predicting immigration is difficult since long-run trends are often masked by short-run fluctuations. There has been a prolonged upward trend in immigration from the New Commonwealth (mainly Africa and South Asia), although this growth has been interrupted recently. This may be merely a blip, in which case immigration from these areas will eventually resume its upward path, or perhaps immigration from the New Commonwealth has now stabilised. Either way, net immigration from this area is still very high. There was also a massive, unexpected upsurge in migration from Eastern Europe following EU enlargement. As economic conditions in Eastern Europe improve, this flow should slow down as fewer people come to this country to work and some of the migrants already here return home. However, there will eventually be a new influx of immigrants when existing restrictions on migration from Bulgaria and Romania lapse, and further down the line there may be a much greater influx if Turkey joins EU. Given the uncertainties involved, it is difficult to say with any confidence what the rate of net migration is likely to be in coming decades. However, it does seem that the figure of 145,000 assumed by GAD for its Principal Projection is on the low side. In the absence of new measures to contain the flow, it seems likely that immigration will exceed this amount, perhaps by a considerable margin. Indeed, the figure of 145,000 has been exceeded every year from 1999 onwards (Figure 3).

There is also another point to consider. The projections presented in Figure 1 assume that immigrants have the same fertility as the existing UK population. This assumption is not supported by the evidence. For example, in 2001, the total fertility rates of women born in Bangladesh and Pakistan were equal to 3.9 and 4.7, respectively, as compared to 1.6 for women born in this country. Most immigrant groups do not have as high fertility as the native population. This assumption is not supported by the evidence. For example, the fertility rates of women born in Bangladesh and Pakistan were equal to 3.9 and 4.7, respectively, as compared to 1.6 for women born in this country.
many children, but even so the overall total fertility rate for women born overseas was 2.2, which is significantly higher than the figure for women born in the UK. This helps to explain why the share of live births to women born abroad has risen from 12.9% in 1995 to 21.9% in 2006. When such discrepancies are taken into account, the eventual impact of a given rate of immigration may be even larger than the above projections imply.

Fertility

All of the above projections assume a total fertility rate (TFR) equal to 1.73. In fact, the birth rate has been rising in recent years and provisional figures for 2006 indicate a TFR of 1.84 for the UK as a whole. If this birth rate is sustained in the future it will have a substantial impact on the population. If it is combined with a high rate of immigration, such as we have observed in the recent past, the effect will be dramatic. Figure 4 shows what happens to population with a TFR = 1.84 and net migration = 205,000. By 2074, population exceeds 81 million. This is 10 million greater than under the GAD Principal Projection, which is currently taken as the benchmark for discussions about future population in the UK.8

Figure 4 also shows what happens to population with a TFR = 1.84 and zero net migration. This gives some idea how population would evolve with existing birth rates but a tough immigration policy that ensured that the same number of people entered the country as left. Under this projection population grows for a time slowly for a time and then starts to fall rather slowly. By the end of the period, population is virtually the same as at the beginning. Given current birth rates, if the objective of public policy were to stabilise UK population, a policy of zero net migration would be the way to achieve it.

Age Structure

Migration and fertility affect the age-structure of the population. They are often seen as a way of rejuvenating the population and thereby sharing the cost of supporting those who are too old to work. There are many ways of measuring age-structure. Here I use a simple measure which is defined as follows:

\[
\text{Potential support ratio} = \frac{\text{Working-Age Population}}{\text{Pension-Age Population}}
\]

This is a mixed measure which is mainly influenced what happens to the age-structure of the population. It is also influenced by changes in the age at which men and women become eligible for a state pension. The potential support ratio (PSR) indicates how many individuals there are of official “working-age” who are potentially available to support each person of official pension-age.

Figure 5 shows what happens to the PSR under a variety of assumptions about migration. The projections correspond to those shown for population in Figure 1. In each case the PSR falls steeply for a period of about 15 years starting around 2020, after which time the curves start to flatten out. The steep fall is an echo of the post-war baby boom which created a large bulge in the age structure. Following the baby boom the birth rate fell sharply, with the result that, as the cohort of people born in the 1950s and early 1960s start to retire, there will be relatively few people of working-age to support them. The diagram also indicates how migration affects the PSR. The most interesting feature is how little difference mass migration makes to this ratio. Under the zero net migration variant the PSR in 2074 is 1.94 and under the high migration scenario it is 2.11. To achieve this rather modest change requires adding an extra 20 million persons to the national population by 2074.

2. The Macro-Economic Benefits of Immigration

Immigration is said to be a good thing because with a bigger national labour force the country can produce more output. “We need immigration to keep the economy growing.” This statement raises a number of issues. Firstly, the impact of migration on national output depends on the skills and motivation of the immigrants and on their ability to gain suitable employment without displacing local workers. Highly skilled or

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8. GAD is due to produce new projections which assume higher fertility and migration rates than the 2004 based Principal Projection. As a result, the new Principal Projection will have a higher population growth rate and the trajectory will be similar to Projection E in Figure 4.
Immigration is claimed to increase per capita income in the following ways:

- **Per Capita Income**

  Immigration is claimed to increase per capita income in the following ways:

  - *Increasing the absolute size of the national labour force.* If there are increasing returns to scale, then output per worker will rise simply because there are more people employed in the economy. This explains why certain types of business congregate in the same city. They produce more when they are crowded together than they do when they are separate. However, there is no evidence that this applies to the country as a whole or even to the south eastern corner where the most dynamic part of the economy is located. On the contrary, the opposite may be true and the south eastern corner may now be operating under diseconomies of scale. As more people crowd into this area, increasing congestion may be damaging productivity. Of course, productivity in this area is above the national average, but with a smaller population, productivity might be higher still. (Sustained population growth will also lead to a decline in the quality of life because of the increasing density of population and pressure on such amenities as open space).

  - *Increasing the share of the population that is of working age.* Immigrants into the UK are mostly of working age. Provided these immigrants can find employment, their presence will increase the share of the population that is working and hence may increase GDP per capita. This is the main factor behind the government’s claim that immigration helps to increase GDP per capita. Because they are mostly of working age, immigrants may contribute disproportionately to national production. Conversely, because many emigrants from the UK have retired or are close to retirement, their departure has little effect on national production but helps to keep down total population. However, these effects are mostly transitory. If the immigrants remain, they get older and eventually retire from the labour force. As the rejuvenating effect wears off, the boost to per capita income from the injection of a given cohort of immigrants gradually fades. To maintain this effect requires a new injection on immigrants, and then another injection, and so on indefinitely.

  - *Special skills and capabilities.* Immigrants may be highly educated or have high natural abilities which are of great use to the national economy. Provided these talents are properly utilised, the entry of such migrants leads to a disproportionate increase in GDP per capita. However, there are also many immigrants who do not work or else do not have special talents. Their contribution to national production is either zero or small. The presence of such migrants reduces GDP per capita.

  - “*Doing the jobs that locals will not do*”. There is also a group of migrants employed in low-skilled occupations whose contribution to the economy is allegedly vital because they are “doing the jobs that locals will not do”. In plain English, they are doing dirty or unpleasant jobs for wages that locals would not accept. It is misleading to imply that such workers are making a large contribution to the economy, since many of them could be replaced, perhaps at somewhat greater cost, by locals who are currently engaged in low-productivity activities or without a job. Alternatively, the UK could abandon some of the activities which can only be kept in operation by using low-paid migrant labour. Either of these steps might harm the employers concerned and those who consume their output, but it would also raise per capita GDP.

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9 Government claims with regard to this effect are discussed in David Coleman and Robert Rowthorn, The Economic Effects of Immigration into the United Kingdom, Population and Development Review, 30(4): 579–624 (December 2004).
— *Flexibility*. Migration costs prevent many native-born workers from moving to those regions that offer the best economic opportunities. Immigrant workers, in contrast, form a self-selected sample of persons who have chosen to incur such migration costs. Immigrants will choose to go to those regions that offer them the best economic opportunities. In doing so, they help to alleviate local labour shortages and remove bottlenecks that are inhibiting economic expansion. This makes the economy more flexible and contributes to economic efficiency. However, evidence from the United States suggests that the flexibility bonus from immigration is not very large in relation to GDP as a whole.\(^{10}\)

Some types of immigration undoubtedly raise GDP per capita, but others do not. The net effect of any particular type of migration is an empirical issue that depends on the precise mix of the various types of immigration. The National Institute has examined this issue and it finds that immigration raised GDP by 3.1% between 1998 and 2005.\(^ {11}\) Over the same period, net immigration of non-British citizens amounted to 3.2% of the UK population. If we take into account the children born to migrants and migrant deaths during this period, the effect of migration was to add around 3.5% to the UK population. This is greater than the increase in GDP of 3.1% which the National Institute estimates was due to immigration during the period. If the National Institute estimate is correct, the net effect of immigration over this period was therefore to reduce GDP per capita slightly. However, the effect was very small and within the margin of statistical error.

Fiscal Transfers

The opponents of immigration often present immigrants as a burden on the taxpayer. They can cite many specific examples. Many immigrants do not work or receive more from the government in the form of benefits and public services than they pay in taxes. Conversely, the supporters of immigration can cite many examples where migrants pay more in taxes than is spent on them by the government. The first systematic study of the fiscal impact of immigration in the UK was by Gott and Johnston for the Home Office.\(^ {12}\) This study was concerned with the fiscal contribution of the migrant population as a whole in the tax year 1999–2000. Migrants were defined as foreign-born residents and UK-born dependent children who have two parents who are foreign-born or are in lone-parent households where the head of household is foreign-born. This study was updated and slightly modified by Sriskandarajah and his colleagues at the IPPR.\(^ {13}\)

The IPPR study estimates that in the tax year 2003–2004 migrants paid £41.2 billion in tax and consumed £41.6 billion in benefits and state services, giving a net fiscal contribution of approximately £0.4 billion. This calculation can be questioned on a number of grounds. Table 1 illustrates how the calculations might be adjusted to accommodate some of these criticisms.

— *Children of mixed parentage*. The first adjustment refers to expenditure. Like its predecessor, the IPPR study assigns public expenditure on children with two immigrant parents to the migrant population. However, the entire expenditure on children with mixed parentage (one migrant and one non-migrant) is ascribed to the non-migrant population. This procedure has been criticised by MigrationWatchUK which correctly argues that such expenditure should be split equally between the migrant and non-migrant population.\(^ {14}\) To allow for this expenditure on migrants must be increased by £4.9 billion. Following this adjustment the net fiscal contribution of migrants is equal to £5.3 billion.\(^ {15}\)

— *Defence*. It can be argued that the armed forces are a public good whose benefits to the existing population are not affected by the entry of migrants. To allow for this we eliminate defence from the list of expenditures allocated to migrants. This reduces expenditure on migrants by £3.0 billion.\(^ {16}\)

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\(^{10}\) This paragraph is based on the following paper: George Borjas, “Does Immigration Grease the Wheels of the Labor Market?”, *Brookings Papers on Economic Activity*, 2001, pp 69–119.

\(^{11}\) National Institute Economic Review, no 198. Borjas estimated that the flexibility bonus of immigration was equal to 0.1% of US GDP.


\(^{13}\) Dhananjayan Sriskandarajah, Laurence Cooley and Howard Reed, *Paying their way: The fiscal contribution of immigrants in the UK*, IPPR, April 2005.


\(^{15}\) This adjustment is derived from paragraph 38 of the MigrationWatchUK briefing paper.

\(^{16}\) Total expenditure on defence in 2003–04 was £31.4 billion. The IPPR study allocates this in proportion to the share of migrants and non-migrants in the population.
The next adjustment refers to taxes. In 2003–04 the government had a fiscal deficit and even the non-migrant population paid fewer taxes than they received in government expenditure. To correct for this we assume that taxes on all UK residents are raised by a uniform percentage just sufficient to eliminate the government deficit. This increases the amount of tax paid by migrants by £4.9 billion.\(^\text{17}\)

When all of these adjustments are made the fiscal balance of migrants becomes positive and is equal to £2.6 billion (Table 1). In addition to the adjustments listed above, there are other items which should be taken into account but are difficult to quantify.\(^\text{18}\) There is no space to discuss them here, but suffice it to say that most of them would reduce the fiscal contribution of migrants. However, it is unlikely that their inclusion would greatly alter the picture.

The above observations indicate the difficulties in obtaining an accurate picture of how immigration has affected government finances. The measurable net fiscal contribution of the migrant population lies between £5.3 billion and +£2.6 billion. These figures may seem large in absolute terms, but they should be seen in perspective. They range between +0.47 and +0.23% of GDP, between −0.83 and +0.40% of individual consumption, and between −1.16 and +0.55% of government expenditure. In comparison to the economy as a whole, the fiscal impact of the migrant population, taken as a whole, is small.

Past immigration into the UK has not in aggregate led to a significant fiscal burden on the rest of society, nor has it provided a significant surplus. It has been broadly neutral. In this respect, Britain is similar to other advanced economies. In countries where there has been large scale immigration over a fairly long period of time, the stock of migrants and their descendants normally contains a wide spread of different types and age groups. This explains why estimates of the fiscal contribution of the immigrant population as a whole are typically quite small. The positive contribution of some migrants is largely or wholly offset by the negative contribution of others. This finding holds across a variety of countries and methodologies. Estimates of the net fiscal contribution of past immigration normally lie within the range ±1% of GDP.\(^\text{19}\)

4. **Impact on the Labour Market**

In addition to its overall impact on the receiving country, immigration may also affect the operation of the labour market. The nature of this impact depends on the type of immigrant concerned. Provided their talents are fully utilised, the immigration of skilled workers or entrepreneurs will raise the demand for unskilled labour in the recipient country and will thereby benefit existing unskilled workers. The immigration of unskilled workers may have the opposite effect. If the immigrants are able to compete freely with unskilled local workers, the economic position of the latter may get worse. The competition from cheap immigrant labour may push down the wages of unskilled locals to the benefit of employers and other locals who utilise their services. Alternatively, competition from immigrant labour may deprive some locals of employment. An indication of the potential scale of this competition in the UK is given by the statistics on the operation of Eastern European migrants who are registered under the worker registration scheme. Between May 2004 and March 2007, the number of national insurance certificates granted to such migrants was 623,575 and 77% earned between £4.50 and £5.99 per hour.\(^\text{20}\) Over this period, the statutory minimum wage was in the range £4.50 to £5.35 per hour for adults. It is hard to believe that competition on this scale has no effect on the economic prospects of local workers, as many advocates of immigration claim. Indeed, such a claim is inconsistent with the widely accepted argument that modern technology and structural change in the economy have destroyed many low-skill jobs and undermined the labour market position of low-skilled workers. If workers at the bottom end of the skill ladder are losing out because of adverse shifts in the demand for unskilled labour, then it seems obvious that their situation can only be made worse by making them compete with migrant labour. Those who point out this out are often accused of a racial preference in favour of white locals against non-white immigrants. In the case of the UK, many of the locals who compete with low-skilled migrants are from ethnic minorities, for example black Caribbeans, whereas nowadays the immigrants are

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\(^{17}\) In 2003–2004 there was an overall budget deficit of £48.5 billion. The adjustment shown in Table 1 assumes that this deficit is eliminated by means of a uniform 11.8% increase in the amount of tax paid by migrants and non-migrants. The extra tax paid by the two groups is equal to £4.9 billion and £43.6 billion respectively. An alternative procedure is as follows. After the first two rounds of adjustment shown in Table 1 the ratio of taxes to government expenditure is 94.7% for migrants and 88.9% for non-migrants. As a result, migrants pay £2.5 billion more in taxes than they would do if their tax-expenditure ratio were the same as that of non-migrants. This can be taken as a measure of their net fiscal transfer to the non-migrant population. It is very similar to the figure of £2.6 billion shown in the last row of Table 1.


often white. This situation is similar in the United States, where unskilled black workers face competition from Hispanic migrants.

The above are merely general observations. Before reviewing the evidence, it will be useful to consider briefly some of the difficulties which face researchers who seek to quantify the impact of immigration on the labour market.

**Estimation**

The following are some of the main difficulties:

1. **Causality.** Immigrants tend to go to areas where there is a strong demand for labour. These are likely to be areas where employment for local workers is high or rising. This could be interpreted incorrectly as evidence that immigration into an area creates employment for locals.

2. **Induced Migration.** When immigrants come into an area, this may cause locals to leave or may deter people from moving into the area from elsewhere. The result will be a ripple effect, whereby a migration “shock” in one area is dissipated to the rest of the country. For example, if there is a big inflow of migrants into London, there may be initially a rise in local unemployment. After a time, some residents of London may go to Scotland and fewer Scots may come to London. As a result, unemployment may eventually increase in Scotland and fall back again in London. This means that the conventional “spatial correlation” method for analysing the effects of migration may seriously underestimate its impact. Hatton and Tani have shown that induced migration in the UK is important and they warn that it may result in a downward bias in the estimated impact of migration on the labour market.21

3. **Measurement Error.** Migration statistics are based on samples and are subject to error. The econometric analysis of migration normally subdivides the population into “cells” based on such items as area, education, age or gender. Many of these cells have a very small number of migrants in them and the resulting errors may be proportionately very large. Aydemir and Borjas have shown that this may lead to a serious underestimate of the impact of migration on the labour market.22 A similar point about the bias arising from errors was made by Rowthorn and Glyn.23

All of the above factors lead to a downward bias in the estimated impact of migration on the labour market. Econometricians normally seek to correct for this bias but it is often very difficult.

**Findings**

The following is a very brief survey of the evidence about the labour market impacts of migration in this country and abroad.

**Historical Impact on the Average Worker**

It is widely agreed that, taken as a whole, past immigration in most countries has not had much affect on the average wage of native workers. There is disagreement about its impact on employment. Most studies find that in aggregate the impact on native employment has been small. Many of these studies may have a downward bias because of measurement error and a failure to allow for induced migration. In their article on the impact of immigration on European employment, Angrist and Kugler avoid the latter problem because their geographical cells are individual EU countries, between which induced migration is likely to be small.24 In some of their formulations, they find that immigration has a large and statistically significant effect on male employment. For each 100 male immigrants, they estimate that between 35 and 83 male native jobs will be lost.25 Using Census data and the “difference in differences” method, Dustmann and his colleagues estimate that 23–60 native jobs will be lost for each 100 immigrants.26 These estimates are also based on statistically

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Available at: http://www.bepress.com/bejm/contributions/vol6/iss1/art4
26 These numbers are derived from the coefficients given in Table 4.1 of Dustmann, C, F Fabbri, I Preston and J Wadsworth (2003), “The local labour market effects of immigration in the UK”, Home Office Online Report 06/03.
significant coefficients. Using less accurate LFS data, they get a smaller and less statistically significant effect. The same is true in a later paper of theirs which is also based on the LFS. A more recent study by Gilpin et al gets statistically insignificant, but sometimes very large estimates for the impact of recent immigration from Central and Eastern Europe on local unemployment. Most of the “long-run” coefficients are equal to at least 0.6, which implies that in the “long-run” 60 or more local workers will become unemployed for each 100 immigrants that enter the region. It must be stressed that these coefficients are not statistically significant, but this does not mean that they are “small” as the authors claim. It simply means that there is too much noise to estimate them accurately.

Unskilled workers—overall impact

Economic theory would suggest that unskilled workers lose where they have to compete with immigrants, but benefit from the demand for their labour created by the immigration of entrepreneurs and highly educated workers. The overall impact of immigration depends on the relative strength of these opposing effects. In a recent report, Dustmann et al find that most types of worker in the UK have gained a modest amount from immigration, whereas workers in the bottom layer have suffered a loss. The following are some extracts from the press release summarising this report:

“The research looks at the period from 1997 to 2005 and finds evidence of an overall positive impact on immigration on the wages of native born workers, although the magnitude of the effect is modest. Immigration during these years contributed about one twentieth of the average 3¾% annual growth in real wages . . . The report goes on to say that although the arrival of economic migrants has benefited workers in the middle and upper part of the wage distribution, immigration has placed downward pressure on the wages in receipt of lower levels of pay. Over the period considered, wages at all points of the wages distribution increased in real terms, but wages in the lowest quarter would have increased quicker and wages further up the distribution would have risen more slowly if it were not for the effect of immigration.”

Ottaviano and Peri reach a similar conclusion for the USA. Unskilled workers—competition with immigrants

In a well-known paper, Borjas estimates that competition from Hispanic immigrants into the USA, mainly from Mexico, has reduced the wages of unskilled native workers, especially blacks, by a substantial amount. Ottaviano and Peri have criticised this finding on the grounds that unskilled natives and unskilled immigrants are not very good substitutes for each other. They conclude that the effect of immigration is smaller than Borjas claims. Using a similar methodology, Manacorda et al find that the immigration of less-educated male workers has had quite a large impact on the existing less-educated male workforce in the UK. However, they also find that this effect is confined mainly to previous immigrants. The native workforce is largely unaffected. Many of these earlier immigrants are, presumably, from ethnic minorities and many of them are now UK citizens. These findings would suggest that it is unskilled members of ethnic minorities who have been most affected by recent immigration.

Labour discipline

The IMF argues that globalisation through trade, investment and migration has undermined the bargaining power of workers in the advanced economies. The threat of competition from workers in low wage economies has made workers in the advanced economies less militant and has reduced the need to restrain wages through unemployment. This means there is less inflationary pressure and that monetary policy can be more expansionary, creating additional jobs for local workers in the advanced economies. It is possible that

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27 Dustmann, C, F Fabbri and I Preston (2005), “The Impact of Immigration on the British Labour Market”, Economic Journal, vol 115, November. In fact, using LFS data they estimate that immigration has had a minor impact on the level of employment in aggregate, but it has reduced employment somewhat amongst workers with an intermediate level of education.
28 Gilpin, N, M Henty, S Lemos, J Portes and C Bullen (2006), “The impact of free movement of workers from Central and Eastern Europe on the UK labour market”, DWP Working Paper No 29. The large estimates are to be found in section 5.11 of this paper.
29 Op cit page 49.
the additional jobs created from a more expansionary policy will outweigh the loss of jobs to immigrants, in which case immigration will eventually cause total employment for local workers to rise. In other words, the “natural” rate of unemployment will fall. This is a plausible argument. Note, however, that the disciplining effect of immigration (and other forms of globalisation) depends on the perceived threat of job loss, not on the actual loss of jobs. It is not clear how much immigration is actually needed to achieve this effect.

Figure 1: Net Migration by Citizenship 1991-2005

Source: International Migration, Series MN nos. 28 and 32, ONS.

Figure 2. UK Population 2004-2074 under Alternative Migration Assumptions (millions)

Source: Zero net migration projection by interpolation from GAD variants; other projections from GAD.

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The economic impact of immigration: evidence

Figure 3
Components of Population Change UK


Figure 4. UK Population 2004-2074 under Alternative Fertility and Migration Assumptions (millions)

Source: Principal projection from GAD; Other projections derived by extrapolation/interpolation from published GAD variants.
Figure 5. UK Potential Support Ratio 2004-2074 under Alternative Migration Assumptions

Source: see Fig. 1
Potential Support Ratio = working-age population ÷ pension-age population

Table 1

ALTERNATIVE ESTIMATES OF THE FISCAL IMPACT OF MIGRANTS IN THE UK 2003–04

<table>
<thead>
<tr>
<th></th>
<th>Tax £ billion</th>
<th>Expenditure £ billion</th>
<th>Balance £ billion</th>
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<th>% Individual consumption</th>
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<td>Original (IPPR)</td>
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<td>-0.4</td>
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<td>Children of mixed parentage</td>
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<td></td>
<td></td>
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<tr>
<td>After first adjustment</td>
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<td>-0.83</td>
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<tr>
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<tr>
<td>Budget balance</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>After third adjustment</td>
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<td>43.5</td>
<td>+2.6</td>
<td>+0.23</td>
<td>+0.40</td>
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Note: rows and columns may not add because of rounding errors.

10 October 2007
Examining of Witness

Witness: Professor Robert Rowthorn, Cambridge University, examined.

Q1 Chairman: You are very welcome to the Committee. You very kindly sent us quite a lot of stuff to read, so we have had that. Is there anything you want to say before we go to questions or can we go straight on to the questions?
Professor Rowthorn: Just go straight on to the questions.

Q2 Chairman: If I may start, the number of migrant workers in the United Kingdom has increased significantly in recent years and it is said that there is no obvious limit to immigration. I just wondered whether you would like to tell us whether you think numbers matter in the analysis of the economic impacts of immigration and, if so, why, and in that case is it possible to identify an optimal number?
Professor Rowthorn: Numbers matter because they contribute to population growth. That is the most important aspect of them. That is not true, of course, if you have a large number of migrants who are temporary; they come in and leave and they are replaced by others. That does not have so much effect, but in practice large-scale migration does tend to lead to population growth because a lot of people stay. The question is, what is the negative impact of population growth? One of the impacts of population growth is on the demand for housing. In the longer term it is likely to be the dominant element in the growth of housing demand and that puts pressure on space, for example. There is already quite a lot of conflict growing about housing policy now with the projected building of several million more houses over the next 20 years, but if you think beyond that there will be more and more housing demand and I think that is an important factor. Secondly, population density will increase and that will mean that there will be less space per head, in the south east of the country particularly. Population growth is in my view the biggest economic downside of large-scale immigration.

Q3 Chairman: Have you expressed any sort of view about the optimal number of people which you could envisage us coping with?
Professor Rowthorn: The debate on optimal population size is always roughly centred on what you have at the time or slightly less.

Q4 Chairman: That is the normal view most people have, is it?
Professor Rowthorn: I think it is, that is right. People in Australia, for example, which is a very big country, argue that the carrying capacity of Australia is actually quite low because of water issues. Not being an expert on water, I cannot say whether we are going to run out of water here or not.

Q5 Lord Lamont of Lerwick: On this precise question of "no obvious limit", could you answer it just in relation to the labour market, leaving housing out of it? Would you think it a lump of labour fallacy to say that, for a given number of vacancies, if we filled those that would not impose a limit because, with immigration going on over the longer term, whatever the number of vacancies, probably that number of vacancies would still be there in ten years' time if you had an endless supply of labour coming into the country?
Professor Rowthorn: Yes. I think the evidence is that, given time, countries can absorb any number of people, so it is not a matter of there being a fixed amount of jobs over the longer term. In the short term that might be different. In other words, if there is a lot of immigration coming into an area, for example, it might have an effect on the local labour market. Likewise, if there were a large number coming into a country, it might have an effect, and despite the claims that large scale immigration has no effect on employment for locals there is some evidence that it does. There is mixed evidence that it has an effect here and there is some debate about it, but I would say that the evidence on balance is yes, it does have an effect, but that is a relatively short-term effect. One does not really know in the long term. If you had immigration of highly skilled people, entrepreneurs from abroad, for example, and then you had immigration of unskilled people and you had a free market in capital and you built enough roads and everything else, in X years' time the economy would be like it is now, but bigger. The answer is, I think, that there is a lot of hot air about the benefits and economic costs of immigration because I think, by and large, they are not big in aggregate one way or the other, with large-scale immigration you could have a much bigger population with a similar per capita income, so it is not terribly beneficial to the local population but it is not terribly harmful either.

Q6 Lord Lamont of Lerwick: But in the labour market there is no obvious limit?
Professor Rowthorn: No, absolutely not—if you wait long enough, of course. “Of course” is perhaps not the right term.

Q7 Lord Sheldon: You have said that the central estimate of migration was too low, but since then, of course, the estimate has increased. How would you see these latest estimates?
Professor Rowthorn: The latest estimates seem to be virtually identical to the ones I invented myself in my submission. As far as I can tell, they hardly differ. They are not published in full but the assumptions behind them seem to be more or less what I assumed, and so I would imagine that the long term projections...
are very similar. Migration, according to those, implies over the next 65-70 years a growth in population of about 24 million; in fact it would be about 24 million. If we had what is called zero net migration, that is if we have the same number of people coming in as leaving the country, the population would remain roughly constant. People used to think it would fall but now the birth rate is officially recognised as being higher and so if we had zero net migration, which is a pretty tough target, we would have a constant population, but with the kinds of figures of 185,000 a year— I think I assumed that; it could be 190,000. I do not remember—we will get an increase of population of more than 20 million.

Q8 Chairman: Twenty million in what period? By what date?
Professor Rowthorn: I think it is 2074. It is a 70-year time horizon from the 2004 base. The thing is that quite a lot of that population increase is due to the fact that migrants are younger typically than the average population and they tend to have more children per head. That is quite an important additional element in population growth. It is not just the people who come in; it is the fact that they have children. They die, of course, but the children effect outweighs the death effect.

Q9 Lord Sheldon: But your estimate was made some time ago. I do not see how you could have anticipated the changes that we have seen more recently.
Professor Rowthorn: That is not true. It was based on a 2004 basis but what I did was change the migration assumption of the Government Actuary’s Department and I changed the fertility assumption. But I changed both of them more or less in exactly the same way that it appears that the Government’s statisticians have changed them now. When it comes to either migration or fertility they are projections in the sense that you give me a number and I will make a projection. If you say, do I believe that is what the true figure will be, all I can do is shrug my shoulders and say, “Who knows?”.

Q10 Lord Macdonald of Tradeston: Could I ask you about the assumption of population growth and fertility? At one time the Irish used to have very large families and they came down to, as it were, British levels. Would the same be true of Asian immigrants?
Professor Rowthorn: They are coming down but they are still quite high. The thing is that the non-Asian population—I do not want to use the word “indigenous” because we are all in some sense migrants—has risen somewhat, their fertility has risen somewhat.

Q11 Lord Macdonald of Tradeston: Did you factor in a decline in the birth rates of the young immigrants we are having now?
Professor Rowthorn: No. All I did was look at what the latest figure is, which has been rising. The fertility rate in Britain on average has been rising quite strongly in the last few years. Everyone assumes it is very low and the great thing about demography is that once something becomes obviously true it ceases to be true. It was obviously true we had a very low fertility rate and then, of course, it changed.

Q12 Lord Paul: Professor Rowthorn, how do migrants’ characteristics, including their skill levels and intentions of stay (in particular temporary versus permanent), shape the economic impacts of immigration?
Professor Rowthorn: First of all, intentions are not necessarily outcomes. Many people have always emigrated to other countries temporarily but somehow have never gone back, so I think it is outcomes, not intentions. Theoretically, if you had a large number of temporary migrants who worked for a few years and went home afterwards, that would obviously rejuvenate the population, as it were, on a temporary basis, because they grow old somewhere else, and it might have a significant fiscal benefit. Of course, one of the things is that it depends on the country people come from, because the Irish experience shows that if the sending country develops dramatically then emigration flows dry up; in fact, they may go into reverse. If you think of the immigration from eastern Europe, that may go into reverse if these countries develop very successfully. Even if it does not go into reverse, it will tail off. This is one of the problems of predicting migration from eastern Europe, that it depends on what happens economically.

Q13 Lord Layard: Talking about immigration from eastern Europe, you have suggested that it has had an adverse effect on the employment prospects of local workers. What do you think about international and UK-based studies, such as the one carried out by the DWP in 2006, that do not detect any significant impacts of immigration on wages or unemployment?
Professor Rowthorn: The point is, what you mean by statistical significance? It is like fitting a curve. The data are scattered all over the place and you do the best fit you can and the curve slopes upwards. Statistically it may be insignificant but it does not mean you cannot discern an effect; it means there is an enormous amount of noise in the system. I have to say that on the studies done on the impact of immigration on the British economy there has been a somewhat unfortunate presentation, I might say spin, in which they say they do not show any effect. For example, Dustmann did a study based upon the
Census of Population which revealed that migration had a big effect on unemployment, a statistically significant one. The study referred to by the DWP found that in all the sophisticated formulations migration had a fairly strong effect but it was not statistically significant, which means that there is an enormous amount of noise and it looks as though it has had an effect but you cannot be sure about it. That is not the same as saying there is no discernible effect. It did have a discernible effect but you could not be sure about it. There is an article by Angrist and Kugler on migration in the European Union. It found that migration did have a big effect on local employment and yet it is always cited as an article in which the effect is small, which is not true. It finds that the effect is big and the article is in the Economic Journal and is by famous econometricians. I would say myself that there is some evidence that immigration has a negative effect but the evidence is not very strong in the case of the UK. To put it differently, it is conflicting. The trouble is that in econometrics in this area it is so difficult to come to clear estimates because there are factors which obfuscate things, and that means that very good econometricians can come to very different conclusions. It is not true to say there is no evidence that immigration affects the labour market but it is true to say that there are conflicting views.

Q14 Lord Griffiths of Fforestfach: I would like to go back to the question raised by Lord Paul on the skills of immigrants and so on. Within a traditional economic model, your assumption that immigration does not really increase the per capita income of the citizens of a country I buy, and yet when I go to where I have a small place in Wales I see, for example, these east European immigrants who are fairly young, they have left their homeland to go there and they are determined to learn English. When it comes to serving in restaurants and so on they have a real sharpness about them. The question I ask myself is, are we comparing apples and apples? Is there any dynamic effect which could work, just to test your hypothesis, which might give some edge which we are not quite capturing?

Professor Rowthorn: Yes. There are two aspects in which this might be true. First of all, there is the agglomeration or economies of scale aspect that places get bigger; cities get bigger, they are more dynamic, and the second is that immigrants are selected, that, as it were, we tend to get the best. Some people regard them as the best because the countries they come from have a better work ethic, but the alternative may be that the ones who move are the best, so we do well out of them. The problem is that it is hard to judge but studies in the United States suggest that that is not a terribly important effect in aggregate. It may be true for particular sub-groups of people. What bedevils the debate on immigration are questions like, is immigration a good thing, does immigration make us richer? It is like saying, is food a good thing, does food make us healthier? The answer is yes, but on the other hand you might eat the wrong things or you might eat too much. The answer is that it is a meaningless question: is immigration good for us? We could not survive without immigration. If you think in purely self-interest terms we need immigration. The question is how much and what kind. On the other hand, I would say that I do not think that one can frame the migration issue simply in terms of our own self-interest. We have to think of the impact of immigration upon the countries that people come from and also the fact that it offers job opportunities for the people who come who otherwise might be poor. I have to say I felt irritated by the notion that very large-scale immigration is of enormous benefit to us. On the other hand, I am a bit unhappy with the view that our policy should be solely based upon our own self-interest.

Q15 Lord Skidelsky: I want to go back, Robert, to your earlier discussion, and this is in relation to your papers as well. If the aggregate effects on a local population are near nil, not very much either way, but there is a positive effect on the migrants, is that not an argument for saying that aggregate welfare goes up with net immigration if you abstract it from other costs which may be non-economic costs?

Professor Rowthorn: One could argue that, yes. I find the whole issue of migration to be morally a very difficult one because there are large numbers of people who want to come to this country or to Europe to improve themselves. You can see them drowning periodically in the Mediterranean. I think we cast the terms of the debate too narrowly. We have to think what our legitimate needs are and how they balance against those of other people, and I think we have not had that debate at all in Britain, absolutely not at all. It explains one of the reasons why the debate is so conflictual, because people who tend to say that migration is good are a bit like Schindler in Schindler's List, finding reasons for saving Jews by saying they were economically useful to the Nazis. They think they have to prove that immigrants are good for us. It may be that the immigrants concerned are not particularly good for us but we might be doing them a favour by offering them entry. I think we should debate those issues honestly.

Q16 Lord Skidelsky: But your paper surely says that they are not particularly good for us but they are not particularly bad for us either, and therefore if it is good for the immigrants it is good that we should
have immigration on moral grounds or on welfare grounds.

Professor Rowthorn: I do not express any opinion in that paper. What concerns me, to be honest with you, is much more the impact of very large-scale migration on the cohesion of the society, but in an economic sense it does not have that much effect although it could do in things like housing via its impact on population growth. I think we should think about this issue because if we do think about it seriously we can then address the issue of how we might have a migration policy that benefits poorer countries and does not necessarily involve permanent settlement here. You could, for example, with skilled people, have schemes for African doctors, so that they come here for a time and then they go back, and that could be tied in with the aid policy. One can think of all kinds of things like this, but I think one has to think in those terms and I do not think permanent settlement is the basic way of helping poorer countries. It may be the way of helping the particular immigrants but I think the real problem for the world is the poverty of a number of countries, because it is poverty of countries that is driving this large-scale migration.

Q17 Lord Kingsdown: You said that you thought we ought to consider the importance of it for our own resident workers in terms of immigration policy. I think you dispute the argument that some migrants in low-skilled occupations are making a vital contribution, “doing the jobs that locals will not do”, and then you cite two alternatives to this: first, replacing them with British workers at higher wages; and, secondly, abandoning some of the activities that can be maintained only by employing low-cost migrant workers. In practice, can you say what jobs and economic activities you have in mind?

Professor Rowthorn: The first point is that I do not recommend it, if you read the report. What it says is that the notion that they are doing jobs others will not do is economic nonsense by and large. There may be one or two jobs like that but markets exist and they exist over periods of time. If wages are higher, eventually people will be drawn into occupations. Underlying the notion of absolute scarcity is the notion that the supply of labour in a particular area is not responsive to the kinds of wages people are offered, I do find it a very strange situation that we have several million people of working age who are not registered as unemployed, who are able to work but who are not in work, and people say that there is no-one around to do the jobs. The problem with this is that it may be that the pay is too low or it may be that these people do not have any incentives to take the jobs, but an alternative to large-scale immigration to fill jobs that the locals will not do is to increase the pay and improve the conditions of these jobs and find ways of getting locals to do them, or alternatively to mechanise some of them. A good example of this was the Bracero programme in the 1960s.

Q18 Lord Kingsdown: Sorry, what programme?

Professor Rowthorn: Bracero. It is Spanish for “labourer”. It was a programme in California in the 1960s. The employers said, “If we do not have all these migrant labourers from Mexico, we will go out of business”, but in fact US government terminated the programme and employers found ways of mechanising picking tomatoes, for example. It is, of course, always difficult in advance to identify how something like this can be done, but it is surprising the inventiveness of people if they have to do it. If you say, of course, that it is a good thing if people come here because they get a job that they would not have otherwise and they are improving themselves, that is a good argument on its own terms; but that is a different argument from saying they are doing things that the local workers cannot do. I do not say that there should be no migrant labour at all of this kind. I am just expressing a scepticism about the notion that somehow there is a fixed supply of labour irrespective of the wages and conditions that are offered.

Q19 Lord Macdonald of Tradeston: Your general point implies that there are billions of poor people out there on the planet who might take hundreds of thousands of jobs here in the United Kingdom that our own indigenous poor, unskilled working class would then be denied, but the traditional trade union view is, control the labour supply and you will force up the wages. That is what closed shops were often about and that is what demarcation was about. Clearly, the employers in their evidence are pretty enthusiastic about more immigration. Perhaps, strangely, the Trade Union Congress too are pretty positive about it. Do you think that there are other measures to try and defend the unskilled British working class that you would recommend?

Professor Rowthorn: As I said, my moral problem is that there are two distinct issues. If you were really hard-nosed about it and you did not care about outsiders at all, one way of doing it would be to raise the minimum wage, especially in the south of the country, and restrict immigration very severely.

Q20 Lord Macdonald of Tradeston: But you are making only a token contribution to the world’s ills whereas it might have a pretty serious impact on your own poorer section of society.

Professor Rowthorn: I think it probably would.

Q21 Lord Macdonald of Tradeston: How would you stop that if the majority of people did not want to make that gesture?
Professor Rowthorn: I do not know. I came along here firmly determined not to take any political position on anything. What I am pointing out is what the alternatives are. I of course have my private views on this.

Q22 Lord Macdonald of Tradeston: Could I ask then specifically how much you think wages would have to rise in order to fill with British workers the low-paid jobs currently performed by migrants?
Professor Rowthorn: It depends what kinds of jobs you are talking about. If you are talking about catering, for example, a modest amount. If you are talking about some of the jobs in more remote areas, for example, in agriculture, I think you would probably find it very hard to get people. You have to remember that quite a lot of the migrant labour is seasonal labour. Ukrainian students, for example, and one of the things about that is that the benefits to them are not simply economic; they come and they eventually learn English and they experience another culture. It must be said that the evidence seems to be that the local workers most hurt were not born here; they are the previous generation of immigrants. The previous generation of immigrants are the ones who seem to suffer most competition from the new migrants. The problem is not just that the migrants are selected but that many of the east Europeans come because they want to learn English so they want to practise English. They have strong motives for coming. It was want to learn English so they want to practise that many of the east Europeans come because they

Q23 Lord Lamont of Lerwick: You are really clear that you do not think the effects of immigration on GDP per capita are very great. One of the arguments that is sometimes put forward is that in this brave new world of unlimited labour (and the British economy has sometimes run up against bottlenecks in the past) it has raised the long term and sustainable growth of the economy, but I take it you think that is nonsense.
Professor Rowthorn: I cannot see that it can raise the long term growth rate of GDP per capita, although if you had very capable immigrants it might raise the level of it—well, it certainly would raise the level of it. If you increase the population by 5% then sooner or later GDP will increase by 5%, but that may not affect GDP per capita. In terms of our own self-interest, do we have an interest in having a bigger gross domestic product? If five million people come in and everything extra they produce they get themselves, that is very good for them; it is of no great benefit to the locals. It does not mean you should not let them in but you should be clear that they are the beneficiaries.

Q24 Lord Lamont of Lerwick: You mentioned mechanisation and investment in plant and machinery, and you have referred to tomatoes in California. Can you think of any other conspicuous examples of where investment might have replaced unskilled labour because on the face of it, when we look at the very rapid growth of the services sector in the south of England, much of it done with immigrants, I would have thought it would be quite difficult to imagine that much of that could be mechanised.
Professor Rowthorn: I agree, but you have to ask yourself, if you did not have the supply what would employers do? They might find ways of bringing people from elsewhere in the country. Indeed, they might find ways of bringing them from elsewhere in London because unemployment is actually very high in London, and it might become a matter of urgency to the people concerned, most of whom, it must be said, are from ethnic minorities, so it is not a simple racial issue. They might find ways of helping locals to acquire skills and get into work. It is a challenge that you may need to meet and the cost of these people is significant, not just in human terms; it is also significant to the taxpayer.

Q25 Chairman: I wonder if you would say a word about illegal immigrants. Is there any evidence that they have any economic effect that is not obviously the same as others have?
Professor Rowthorn: I have to say that is really beyond my competence. I can express a general theoretical view that illegal immigrants tend to provide more competition for locals because they are in a weaker position compared to employees and they cannot create trouble because they will get deported. Of course, that is one of the arguments in the United States. Illegal workers, are not thrown out and there are no employer sanctions for using them because the employers do not want them, so they are a rather docile labour pool.

Q26 Lord Sheldon: You believe that the fiscal impact of immigration is broadly neutral. What do you think of the fiscal effects over a longer time frame?
Professor Rowthorn: Over a long time frame it depends upon the types of migrants. I will give you a good example. Take east European migrants that come
into the country. Most of them who come are without family dependants and their net fiscal contribution is probably positive simply because they do not use the welfare state much and they pay value added tax. They are mostly low paid workers; about 80% are pretty close to the minimum wage. If they have families and they stay in that position, then, of course, they will be entitled to a whole range of welfare benefits. In fact, we have the strange situation where they can have children at home and after a year here they can get child benefit which they send home. Such factors would probably make their fiscal contribution go negative. The other thing is that the migrant population is generally relatively young and, of course, as they age they will make a whole range of claims on the welfare state and on the taxpayer. If you take a given a cohort of migrants, initially they may come in and they are beneficial from a tax point of view. In the course of time they become negative may come in and they are beneficial from a tax point of view. In the course of time they become negative. In the course of time they become negative. The overall effect depends on how skilled they are but I think unskilled migrants on low pay with families in general have a negative impact over their fiscal lifecycle. That is what I would imagine. Most models which examine the impact of immigration on the fiscal position assume a continued flow of migration. In other words, you get in some cases a small benefit from immigration but to maintain that benefit you have to have more immigration in future, and more and more, so it is not, as it were, a once-and-for-all gain; to preserve it you require a continual flow of immigration. In a number of countries people have done models in which they have tried to look forwards (they are mainly Scandinavians but not entirely), and they have found that the impact of unskilled migrants on the fiscal balance tends to be negative over their lifetime here and that of skilled migrants tends to be positive. The reason why the overall fiscal effects are small is that you have a mixture of migrants. If you had, say, 10,000 brilliant entrepreneurs who came into the country and they set up new businesses and raised productivity dramatically, et cetera, that would have a very big positive and permanent impact. But, if somebody says immigration does not have much effect on the fiscal balance, behind that statement is some idea that you have a mixture of immigrants. After all, immigrants who come to the country and never get a job, which is true of some, are a big burden. People who come into the country, earn a lot of money, add a lot to the GDP, pay a lot of taxes, send their children to private school, have private health, et cetera, probably make a very big fiscal contribution.

Q27 Chairman: But what about those who send the substantial amounts they earn back to their host country? What effect does that have on our economy?

Professor Rowthorn: It weakens the balance of payments, I suppose. I know people make a lot of this issue but I am not sure it is very important.

Q28 Lord Lamont of Lerwick: But they account for 20% of some countries’ GDP.

Professor Rowthorn: I mean from our point of view. That is absolutely right. In some Pacific islands their main economic activity—

Q29 Lord Lamont of Lerwick: European countries too.

Professor Rowthorn: Yes, but the Pacific islands particularly, their main activity—

Q30 Lord Lamont of Lerwick: Albania, Moldova.

Professor Rowthorn: Yes, but for the smaller islands their main activity is breeding children, which they export. Their major export is children, as it were, grown-up children. Seriously, they live on aid and remittances, and obviously for some east Europeans this is true. That is why I said you have to consider things other than our own self-interest.

Q31 Lord Sheldon: There is surely a long-term matter here because when they come in they start contributing to the economy and it is only some considerable time later, when they bring their family in or things like that, that the advantages decline.

Professor Rowthorn: It may not be that considerable. It is not that many years. The problem is that you cannot analyse the immigration problem in the short term. You have to have a long time perspective. That is what is wrong with people saying that 180,000 net immigration is not very much; it does not add much to the population per year, but, of course, if you accumulate it, it does. I think you have to take a long-term perspective on these things. My own long-term perspective would be to try and spell out what our own national interest is, if you like, the narrow interest, and then see how we can balance this against the interests of others.

Q32 Lord Layard: Following that up, looking at it from a policy point of view, there are a lot of things where we have no freedom of manoeuvre. We have no freedom of manoeuvre over EU migrants. We indeed have now de facto no freedom of manoeuvre over people coming to work in the cities, so should not the debate and the analysis focus on the effects of those types of immigrants over which we have some freedom of manoeuvre, which I suppose is mainly immigrants from the Third World? I just wondered if you could say a bit about how focusing the debate that way might change things from the point of view...
of the overall presentation you have made so far, and
indeed give us some idea of what fraction of the
existing net immigration is from the Third World.

Professor Rowthorn: There are a number of items
which are going to be important here. I think it is
important to take a long view. Immigration from the
existing east European so-called A8 countries, the
latest wave of entrants, is going to tail off. It might
take ten or 15 years to tail off but my guess it that it
will tail off, and probably, I would imagine, faster
than people think, the net flows, that is. The real
question is, what about the next wave of countries
that join the European Union, if Turkey joins, for
example, or it may get some associate status, some
more advanced status than it has now? What would
be our view towards migration from there? When we
said we would have free migration from the A8
countries the prediction was that it would lead to
virtually no immigration into the country; I think
13,000 was the maximum figure cited in a study. In
actual fact it has turned out to be hundreds of
thousands and that, of course, could happen with
Turkey, it could happen with the Ukraine and so on.
If we wanted to control that immigration, that would
have a big effect on the net flows in the longer term.
Another question, for example, is spousal migration.

We have something like 50,000 spouses a year
entering the country at the moment. There has been
a huge increase in the last 15 years. The flows going
in the other direction are much smaller although
there are no definite figures. That is an item about
which we could say that this is to some degree a form
of disguised economic migration because it means
that people from poorer countries in general when
they marry tend to go to richer countries. I am just
pointing out the things one could do. Personally, I am
very reluctant to interfere in people’s family
decisions, but that is a possibility. David Blunkett
thought that it was very harmful because it prevented
the integration of certain communities and he
appealed to people to find spouses at home. The other
thing is that we could enforce more vigorously the
laws on illegal working here. The question in that
context is that it is not just to stop the people who are
currently present illegally but the people who will
enter in the future. These are all possibilities. I only
mention these possibilities; I am not advocating
them. I am simply saying that if I were a civil servant
asked, as it were, to recommend how I could do it,
and it was not my job to express moral judgments,
those are some of the things I might list.

Chairman: Has anybody got a question they have not
asked that they feel they want to ask, or have you,
Professor, got anything to say that you feel you need
to say that you have not said?

Q33 Lord Skidelsky: There is one question that was
not asked and you may not want to answer it. What is
your view of current evidence on the social costs and
benefits of immigration?

Professor Rowthorn: I have prepared nothing for that.
I have not thought about it for some time. I think
there are quite serious problems. Trevor Phillips has
been talking about the quite significant problems of
integration, one of which is the problem of
segregation due to people living in different areas, for
example, and I think that problem might get worse
with more immigration, or, paradoxically, it might
get better because it might mean that previous
generations of immigrants move out of London and
their existing places and settle in other parts of the
country, I think there are potentially serious
problems with immigration and social cohesion but I
prefer not to discuss them now because I have to say
my views are not terribly clear on them.

Q34 Lord Layard: Could we ask about the housing
market?

Professor Rowthorn: Yes. There was a report done in
2000 by the Joseph Rowntree Commission which
said that immigration was one of the main factors for
housing demand in the south east of the country,
where the growing demand for land for housing
causes a lot of friction. At one time people used to say
that the main cause of rising housing demand was
smaller families, for example, ageing of the
population, but if you take a long-term perspective
the dominant element in it will be population growth
due to migration and that will cause a continuing rise
in the demand for housing. Some people do not mind
the south east becoming more and more urbanised
but other people do. One of the reasons that people
give for going to New Zealand, for example, is that
they like going to places which have a very low
population density. That may not be their true reason
but that is the reason they give.

Chairman: Can I thank you very much. We have
covered a lot of ground and you have been very
helpful to us right at the beginning of our inquiry.
You have also given us a lot of written evidence and
we are extremely grateful to you for getting us off to
a good start. Thank you very much indeed.
EXECUTIVE SUMMARY

The government submission contains a great deal of valuable material, and some parts of it contain a balanced treatment of their subject. Other parts are very one-sided. The following is a summary of my comments. They are mostly critical, because I focus exclusively on weaknesses in the government submission.

1. The government submission fails to acknowledge of the scale of what is now happening. Population is projected to rise by 25 million from 60.6 million in 2006 to 85.4 million in 2081. This is equivalent to 1 million people, or the population of Birmingham, every three years. Over the long-term, the projected increase is entirely the result of migration. Indeed, in the complete absence of inward or outward migration, projected population would be lower in 2081 than it is today. Quite apart from its cultural and political implications, the influx of such a large number of diverse people may impose costs on the local population which are ignored in the government submission. These include the cost of integrating the new-comers and regulating an increasingly diverse society, plus the impact on housing and open space, urban sprawl and congestion.

2. The government cites estimates of the fiscal surplus generated by migrants as a whole. These estimates are extremely small in relation to the national economy—around 0.2% of GDP, 0.4% of personal consumption and 0.6% of government expenditure. They also exclude much of the extra public expenditure specifically associated with immigration. If such extra expenditure were included, the net fiscal contribution of migrants as a whole might become negative, although not by very much.

3. Estimates of the overall fiscal contribution of migrants are not much use for policy-making. What matters is the contribution of particular types of migrant. Some generate a surplus for the exchequer, whereas others are a net cost. The submission provides no estimates regarding the likely fiscal contribution of different types of migrant, in particular of unskilled migrants. There is a reference to a 10-year old American study on this subject which finds that unskilled migrants pay almost as much tax as they receive in government expenditure. The submission does not cite later research by a leading expert in the field which contradicts this finding. Besides, American experience is of limited relevance to the UK because the USA has a much smaller welfare state than ours and net public expenditure on people with low income is much less than here. The submission does not refer to the various European studies on the fiscal impact of immigration.

4. The submission claims that the UK faces a serious ageing problem. Its observations on this issue have been partly overtaken by events. New projections by the Government Actuary’s Department (GAD) indicate that this claim is exaggerated. My own calculations, which are based on the latest official projections, indicate that this claim is exaggerated. I consider a scenario in which long-run migration is balanced. By this I mean that the number of people entering the country is equal to the number leaving. This rejuvenates the country because those who enter are on average younger than those who leave. It also boosts population a bit. With balanced migration there would be a modest rise in population and the ageing process would be greatly slowed. The dependency ratio would still increase, but the rise would be comparatively small—from 61% today to 68% in 2056.

5. The submission argues that large-scale immigration is required to stave off rapid ageing of the population. However, it does not compare these with the impact of immigration on population. The National Institute estimates that people who arrived in the UK in 1998 and after added 3.1% to GDP, 3.8% to total population and 5% to the population of working age. If these figures are to be believed, immigration over this period led to a fall in GDP per capita. The government submission correctly argues that the output figure is probably an underestimate, and that the productivity of migrants will increase over time. Even so, it should have presented the crude figures for per capita GDP growth.

6. Higher rates of immigration can lower the dependency ratio still further, but they lead to a large increase in population. For example, to reduce the dependency ratio by 1 extra percentage point through migration adds an extra 80,000 to the population every year. By 2081 this amounts to almost six million people. The government submission does not pay much attention to the trade-off between population growth and rejuvenation.

7. The submission cites estimates of the contribution of migrants to GDP. However, it does not compare these with the impact of immigration on population. The National Institute estimates that people who arrived in the UK in 1998 and after added 3.1% to GDP, 3.8% to total population and 5% to the population of working age. If these figures are to be believed, immigration over this period led to a fall in GDP per capita. The government submission correctly argues that the output figure is probably an underestimate, and that the productivity of migrants will increase over time. Even so, it should have presented the crude figures for per capita GDP growth.

8. The government submission is unduly upbeat about the impact of immigration on the labour market. It argues that the economy will eventually adapt to the arrival of immigrants, leaving local workers no worse off “in the long-run” than before. This may be true, but it leaves open the question of adjustment speed. A given
burst of immigration may have no permanent effect, but it may take a number of years before the economy adapts fully to the new influx. During the transitional period certain types of local worker may suffer. The submission has little to say on this question, except for the occasional remark praising the flexibility of the UK economy.

9. The submission is also very upbeat in its assessment of the literature on labour market outcomes. It claims that “The empirical literature from around the world suggests little or no evidence that immigrants have had a major impact on native labour market outcomes such as wages and unemployment”. This is misleading. It is true that most research in this area does find that the labour market impact is small, but there are a number of articles by respected authors which find just the opposite. For example, a recent OECD study on the advanced economies finds that a one-off increase in the share of immigrants in the labour force may have a substantial impact on unemployment, lasting up to five or ten years. The share of immigrants in the UK is likely to rise for some decades. If the findings of the OECD study apply to this country, future immigration will have a prolonged impact on unemployment. The OECD findings may be wrong. Or perhaps they do not apply fully to this country because our economy is more flexible and better able to absorb immigrants than most other economies. Even so, it is cavalier to dismiss concerns about unemployment with bland assurances that everything will be fine in the long-run. Such assurances may ring hollow if economic growth in this country falters.

10. The government submission gives the impression that research specifically on the UK is unanimous in finding that the immigration has only a minor impact on the local labour market. This is an exaggeration. There are only a small number of studies on the UK, and the majority of them conclude that the labour market impact of immigration has been small. However, there are some exceptions which find quite large effects. There is also a DWP study which is cited at length by the government. In its more sophisticated econometric formulations, this study finds that recent immigration from Eastern Europe has had a large, but not statistically significant impact on local unemployment. These estimates are unreliable and cannot be taken as firm evidence that the impact of immigration has been large. But neither do they support the authors’ claim that the impact is “small” or “not discernable”.

Final Word

After reading the government submission, my general views are unchanged. Britain needs immigration. Our country would stagnate without it and immigrants have made an important economic (and cultural) contribution that is hard to quantify. However, from our own national point of view, the projected rate of immigration is excessive. It will give rise to population growth on a scale that most people consider to be undesirable, and it is of little or no economic benefit to the local population as a whole. Certain types of migration may also be harmful to more vulnerable sections of the local workforce, especially if economic growth falters. Most research on the UK suggests that this effect will be small, but I believe there is still cause for concern.

However, this is not the end of the story. There are plenty of arguments in favour of immigration which have nothing to do with its impact on the native population. One of them is that immigration, whether or not it improves our lives, does usually improve the lives of immigrants. It may also benefit the countries from which they come. There is a strong case for believing that we have a duty to share the economic benefits of our society with people from poorer countries, who sometimes risk their lives to get here.

Commentary

The section headings in this commentary refer to section headings in the cross-departmental submission.

SECTION 2: PUBLIC FINANCE AND NET FISCAL IMPACTS

This section of the government submission looks at the impact of migration on public finances. It relies heavily on a Home Office Study on this topic and an update by the IPPR.36 These studies estimate that immigration over the past few decades has generated a net fiscal surplus. This claim is hard to evaluate. The answer depends largely on what types of government expenditure are assigned to the migrant population and what adjustments are made to correct for the impact of the economic cycle on government tax revenue. In my own submission, I reworked the IPPR estimates a bit and came up with a net fiscal surplus for migrants of £2.6 billion a year, which is slightly larger than the original Home Office estimate. However, there are other adjustments that would make the picture less favourable to migrants. For example, in his submission, Professor Coleman

provides a list of costs associated with immigration which between them involve a public expenditure of almost £9 billion a year. If only a third of these costs were included, the fiscal surplus apparently generated by migrants would become negative.

The government submission correctly points out that there are no published estimates of the long-run fiscal contribution of immigrants to the UK. It then refers to a 1997 study for the United States which estimates that a skilled immigrant typically makes a large net fiscal contribution, whereas the typical unskilled immigrant makes a small negative contribution.37 The submission does not refer to a paper by a leading expert on this subject, Storesletten, who obtains an estimate of $7,400 for the net present value of the average immigrant into the United States. This average conceals a wide variation across different kinds of immigrants. The net present values for representative high-, medium-, and low-skilled legal immigrants are found to be $96,000, –$2,000, and –$36,000.38 The large deficit for low-skilled immigrants contrasts with the very small figure cited in the government submission. None of this is of great relevance to the UK, since the United States has a much smaller welfare state than we do, and net public expenditure on low-income people is much less than here. There is no reference in the submission to academic work on the fiscal impact of immigration in European countries. In fact, there are quite a lot of studies on this topic, some of which find that the net fiscal contribution of immigrants as a group is negative, whereas others find it to be positive.39 Either way, the impact is typically small in relation to GDP or total government expenditure. The failure of the government submission to take proper account of evidence from other countries is a serious failing. It is especially serious given the importance which the government assigns to fiscal benefits in its case for large-scale net migration.

The government submission makes the following claim,

“In the long run, it is likely that the net fiscal contribution of an immigrant will be greater than that of a non-immigrant. For migrants of working age who enter the country this is relatively clear; the UK is receiving the fiscal contribution of their work without paying for the education and training that enables them to work.” (para. 2.2.6)

This statement ignores the fact that immigration may give rise to a variety of extra public expenditures over and above what is spent on the average native. It also ignores the fact that the employment rate of immigrants is, on average, lower than that of natives in the same educational category. When these factors are taken into account, it is by no means clear that the average future immigrant will generate a fiscal surplus. More fundamentally, as far as policy is concerned, it is not the fiscal contribution of the average immigrant that matters. No-one is calling for a complete end to immigration. What matters for policy is the fiscal contribution of different kinds of immigrant. If mass immigration means the permanent settlement of a large number of unskilled workers or people who do not work, this is likely to impose a net fiscal cost on the local population. It is true that the UK does not have to pay for the education of such people, but this is not the issue. What matters is the net cost that the exchequer will incur during their time in this country. In the case of permanent immigrants of the unskilled or non-working variety, the total tax they pay during their life here is likely to be less than what they receive in the form of public expenditure. The situation is quite the opposite for highly skilled, employed immigrants who will normally make a large net fiscal contribution.

The government submission takes particular exception to the MigrationWatch claim that 50% of public expenditure on children of mixed parentage (one immigrant and one native) should be ascribed to the migrant population. The government’s argument is that

“Children born in the UK are UK citizens and it is inconsistent to view them as ‘part migrant’ before the age of 16, but UK nationals after this age”(para 2.2.7)

This is a very weak argument. A similar point could be made about children who are UK citizens and have two immigrant parents. Such children are regarded under the Home Office methodology as ‘100% migrant’ until they are 16 and UK nationals after this age. Public expenditure on such children is ascribed 100% to the migrant population. The same is true for children with a lone migrant parent.

There is a deeper problem with the Home Office methodology. It was designed for a specific purpose which is not of great relevance to the task of formulating migration policy for the future. The original purpose of the Home Office study was to combat the notion that immigrants as a group are a serious drain on the taxpayer. This notion is false and the Home Office and the IPPR have played a valuable role in refuting it. However, their estimates of the overall fiscal impact of immigration are not very helpful as a guide to future policy. In particular, they do not support blanket claims of the “immigration is good for us” variety. As these studies point out, some types of immigrant make a positive fiscal contribution, whilst for others the net contribution


is negative. If the sole aim of policy were to maximise the contribution of migrants to the public purse, the logical step would be to encourage the immigration of people who are likely to be net contributors and exclude those who are not. Many would consider this to be an unethical approach, but it makes sense from a fiscal point of view.

Section 3: Output and GDP per capita

This section of the government submission is devoted to the impact of migration on key macroeconomic indicators. It lists the following key points:

1. Migration affects trend growth principally through changes in the working age population;
2. Work by the National Institute of Economic and Social Research suggests that around 17% cent of economic growth in 2004 and 2005 is attributable to immigration;
3. The Treasury estimates that between Q3 2001 and mid-2006 migration added 0.5% per annum to the working age population and therefore supported growth in economic output. On this basis, migration contributed around £6 billion to output growth in 2006;
4. There is no quantitative evidence available on the impact of immigration on GDP per head. Wage data suggest migrants may have a positive impact directly through their own output and indirectly through raising the productivity of others.

Comment

I have no quarrel with points (1) and (2). Points (3) and (4) are questionable.

Point (3) apparently rests on the assumption that the contribution of new immigrants to GDP is strictly proportional to their share of the working-age population. Thus, if new immigrants add 5% to the working-age population they are assumed to add 5% to total GDP. This is hard to square with evidence presented in the National Institute article cited by the government in point (2) above. This article estimates that immigrants arriving in the country in 1998 or after added 5% to the working-age population but only 3.1% to GDP.40

Point (4) asserts that there is no quantitative evidence available on the impact of immigration on GDP per head. In fact, the National Institute article cited in the government submission provides evidence on precisely this point. It estimates that that people who arrived in the country in 1998 and after added 3.1% to GDP and 3.8% to total population. The government also claims that immigration in 2004–05 was responsible for a 0.9% increase in GDP. Official statistics indicate that the net inflow of non-British migrants during this period was equal to 1.1% of the population. If these figures are to be believed, the effect of immigration was to reduce GDP per capita by 0.7% over the longer period from 1998 onwards and 0.2% over the shorter period 2004–05. These are quantitative estimates which the government submission could have easily provided.

The government submission argues, with justification, that the contribution of immigrants to output is larger than the above estimates imply. Immigrant workers complement the skills of the existing workforce and make the latter more productive. They also help to increase profits. In the course of time, immigrants may also become more productive as they become more integrated into the economy and firms invest in extra capital to make full use of them. As a result, the present and future impacts of immigration on national output are likely to be greater than estimates based simply on their current wages. The question is how much greater, and what implications does this have for GDP per capita? The answer to the second question depends on what kind of immigrant arrives in the future and how effectively immigrants are integrated into the labour market. An influx of young, highly educated immigrants who quickly find useful employment will normally raise GDP per capita. An influx of unskilled workers or of people who do not get a job will normally reduce GDP per capita.

Section 4: The Labour Market

This section of the government submission is devoted to the impact of immigration on the labour market. It contains a number of questionable assertions.

Theory

Paragraph 4.2.2 begins with the following statement:

“There is no theoretical reason why immigration need depress either native wages or increase native unemployment”

This statement is misleading. It is true that there are conditions under which immigration should theoretically have no effect on native wages and unemployment. However, there are also conditions under which just the opposite is true. There is also the question of adjustment speed. A given burst of immigration may have no long run effect, but it may take a number of years before the economy fully adapts to the new influx of workers. During the transitional period some native workers may suffer a significant loss. The submission gives several quotations to the effect that in the long-run immigration has no effect on labour market outcomes. Even if this were always true, which is doubtful, the question still remains as to how long is the long run? As Keynes once said, “In the long run we are all dead”. The submission has little to say on this question, except for the occasional remark praising the flexibility of the UK economy. Such optimism does not square with the rather gloomy findings of a recent OECD working paper with regard to the scale and duration of the unemployment resulting from immigration. The authors’ exact words are as follows:

“Our estimates do not find any permanent effect of immigration, measured as the share of immigrants in the labour force, upon natives’ unemployment. An immigration inflow leaving unchanged the share of immigrants in the labour force does not even influence unemployment in the short run. Still, we find significant evidence of a transitory and delayed impact on unemployment of changes in the share of immigrants. The impact is weak when measured at the skill level: natives with skills most similar to those of immigrants do not suffer from a strong rise in their unemployment rate relative to other categories of natives. At the aggregate level, however, the transitory impact may be substantial; its magnitude and duration largely depends on the persistence of unemployment shocks, and it may last between five and ten years.” (Jean and Jiménez, para 37, my italics)

Five to 10 years is a long time and it refers to a once and for all rise in the share of immigrants in the national labour force. The share of immigrants in this country is currently rising and is likely to rise for some decades. If the UK were a typical OECD economy, the estimates of Jean and Jiménez would imply that there will be a prolonged and substantial rise in native unemployment because of immigration. In fact, the UK has a relatively flexible labour market, so the effects supposedly identified by these authors should be smaller and less durable than those of the typical OECD economy. Even so, it is cavalier to dismiss concerns about unemployment with bland assurances that everything will be fine in the long-run.

Evidence

The government submission summarises the evidence regarding immigration and native workers by quoting the following passage:

“The empirical literature from around the world suggests little or no evidence that immigrants have had a major impact on native labour market outcomes such as wages and unemployment. Recent work by a number of other authors for the UK is also consistent with this view.” (Blanchflower et al)

The first part of this passage does not accord with my reading of the literature. It is true that most studies find that the impact of immigration on native workers is small, but there are also studies by highly respected researchers who find that its impact is large. In addition to the paper by Jean and Jiménez cited above, there has been a major paper in the Economic Journal by Angrist and Kugler on unemployment in the European Union. These authors find, in some of their formulations, that immigration has a large and statistically significant effect on male employment. For each 100 male immigrants, they estimate that between 35 and 83 male native jobs will be lost. On the subject of wages, a succession of articles by Borjas, one of the world’s leading migration economists, find that the immigration of unskilled workers into the USA, especially from Mexico, has seriously harmed native unskilled workers, especially blacks.
In the case of the UK, there is not a great deal of evidence, but even here the conclusions are somewhat mixed. The government submission makes the following claim with regard to research on the UK:

“A number of papers have looked at the employment impacts of migration; none appears to have found a statistically significant impact” (para. 4.3.1)

This is false. In a study for the Home Office, using Census data for the UK and the “difference in differences” method, Dustmann and his colleagues estimate that 23–60 native jobs are lost for each 100 immigrants. These big numbers and the coefficients on which they are based are statistically significant. Using LFS data, the same study finds a smaller and less statistically significant effect. This is also the case in a later paper of these authors based on the LFS. It is interesting to note that Hatton and Tani, in their study of internal migration within the UK, warn that their results imply that the method used by Dustmann et al may underestimate the impact of immigration on employment.

The government submission cites an article in the National Institute Review to support its claim that around 17% of economic growth in 2004 and 2005 was due to immigration. It fails to mention that the same article estimates that immigration over this period also led to an increase of 0.2–0.3 percentage points in the unemployment rate.

There have been several studies that have sought to quantify the effect of immigration on wages in UK. They find that, taken as a whole, immigration has had a minor effect on wages. The government submission cites a recent paper by Dustmann and colleagues which estimates that immigration has led to a small increase in the average wage and a small reduction in the wage of the bottom quarter of the labour force. I am not surprised by this result since it is concerned with the combined effect of all types of immigration on wages. Economic theory suggests that different types of immigration affect different types of worker in different ways. Many of the immigrants into the UK have been highly skilled and their entry has helped to create jobs and higher wages for local unskilled workers. There have also been many immigrants seeking unskilled jobs. Such people may compete with local unskilled workers, thereby reducing employment opportunities and wages for the latter. Thus, local unskilled workers have gained from some types of immigration and lost from others. It is not surprising that the overall impact of immigration on local unskilled workers has been small.

Of particular interest to public policy is the impact of unskilled immigrants on the wages and employment of their local counterparts. This was examined in a paper by Manacorda et al, which is not cited in the government submission. They found that unskilled immigration does harm the local unskilled workforce, but its effects are confined mainly to previous immigrants. This is because, in the unskilled part of the labour market, recent immigrants frequently enter occupations where there are already a lot of immigrant workers. Many of these previous immigrants belong to ethnic minorities and many of them are now naturalised British citizens.

The government submission lays great weight on a recent DWP study by Gilpin and colleagues. This study gets statistically insignificant, but sometimes very large estimates for the impact of recent immigration from Central and Eastern Europe on unemployment in the UK. Most of their “long-run” coefficients are equal to at least 0.6, which implies that in the “long-run” 60 or more local workers will become unemployed for each 100 immigrants that enter the region. It must be stressed that these coefficients are not statistically significant, but this does not mean that they are “small” as the authors claim. On the contrary, many of them are large. Nor does it mean that there is no “discernable” evidence that recent immigration has caused unemployment, as the authors also claim in a passage cited in the government submission. It simply means that there is too much noise in the system or too many confounding factors to permit reliable estimation.

The papers cited above do not prove conclusively that the effects of immigration on employment and wages are either large or long-lasting. However, they are sufficient to undermine the claim that there is a virtual consensus amongst experts that immigration has only minor or very short-lived impacts on the labour market. My own views on this subject are as follows. I do not believe that the impact of immigration is anything like as big as some of the above estimates imply. Nor are most of its effects permanent. The economy will eventually adapt to absorb most of the new inflow of workers without significant harm to the local workforce. However,
I also believe that this adaptation may sometimes be rather slow, and in the meantime immigration on the scale now envisaged may be harmful to sections of the national population, mostly those at the lower end of the economic spectrum. I am not sure about the potential scale of this effect, but the possibility should be taken seriously. It could become important if there is a downturn in the UK economy. Fears on this score are virtually brushed aside in the government submission.

Complements or Competitors?

The government submission mentions the possibility that immigrants may complement the labour of native workers, thereby increasing the productivity of the latter. There is also a recent literature suggesting that migrant labour has a complementary rather than competitive effect on the labour market.52 This implies that there is less competition between migrants and natives in the same skill category than would at first appear. Instead of engaging in head to head competition, they tend to sort themselves out into separate groups performing somewhat different kinds of work. This reduces competition between them, which in turn reduces the impact of immigration on the wages and employment of natives in the same skill category. On re-reading the literature while preparing this commentary, I now think that the complementarity effect may be more important than I had previously thought. This does not mean that unskilled workers in the UK have nothing to fear from a large influx of immigrants seeking unskilled jobs. But it does suggest that they may have less to lose than would at first sight appear.

SECTION 6: DEMOGRAPHIC CONSEQUENCES OF IMMIGRATION

The government submission has quite a lot to say about the impact of immigration on the age structure of the UK population. It says very little about the implications of immigration for population growth. In fact, apart from a couple of brief asides, it says nothing at all on the subject. This is unfortunate, since age structure and population growth are closely linked.

As the government points out, immigration helps to rejuvenate the population. This is because immigrants are on average younger than the local population. They are also on average younger than the people who emigrate. Immigration also adds to the population. It does so directly because of the inflow of people and also indirectly because many immigrants will have children after they arrive in the UK and their children will have children, and so on. Projections by the Government Actuary’s Department (GAD) imply that for each 1 million immigrants who arrive, there will be an eventual addition to population equal to approximately 1.5 million.

Projections by GAD indicate that without migration the UK population would rise by a modest amount for the next few decades and then start to fall. By 2056, the population would be virtually the same as it is now and by 2081, it would be somewhat lower. With migration at the rate assumed by GAD in its Principal Projection, there will be rapid and sustained growth in population. Thus, over the longer term, projected population growth is entirely the result of migration. To the extent that rapid population growth is seen as undesirable, the resulting costs must be weighed against the presumed benefits of rejuvenation due to from migration.

The age structure of the population is often measured by the dependency ratio. This is the total number of children plus persons of state pension age divided by the population of working age. The dependency ratio is expressed as a percentage in the government submission and information is provided on the behaviour of this ratio under a variety of scenarios. This is based on old 2004-based GAD projections. Table 1 presents information based on the more recent 2006-based projections.

Before discussing table 1, a point on terminology is in order. In the government submission the terms “zero migration” and “zero net migration” are used interchangeably. This is not in accordance with normal practice. Conventionally, the term “zero migration” is used to denote a situation in which there is no inward or outward migration at all. Thus, all changes in the size and age structure of the population are the result of births and deaths amongst the initial population and their descendents. This is also known as “natural change”. The term “zero net migration” is normally used to denote a situation in which the number of inward migrants is equal to the number of outward migrants. To avoid confusion, I shall avoid the terms “zero migration” and “zero net migration”. Instead, I shall use the term “no migration” to indicate that there is no migration at all into or out of the UK, and the term “balanced migration” to indicate that the number of people entering the UK is equal to the number who are leaving.

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Table 1 contains four GAD projections together with an additional projection which refers to the case of balanced migration. I have constructed this projection myself by extrapolating from published projections of GAD. Under this projection, it is assumed that long-run net migration is zero.

The main points to note are as follows:

— The projected rise in the dependency ratio is much smaller under the new 2006-based projections than under the old 2004-based projections used in the government submission. For example, in the complete absence of migration, it was previously projected that the dependency ratio would rise to 82.4% in 2056. Under the new projection the figure is 73.6%. This big reduction is explained by the higher birth rate assumed in the new projection. The ageing problem has not disappeared, but it is much less serious than was previously thought. If the birth rate continues to increase, the importance of the ageing problem will decline still further.

— Balanced migration has a modest impact on population, but a large impact on age structure. In the complete absence of migration, population would eventually fall to 57.3 million by 2081 and the dependency ratio would rise to 77.3%. The corresponding figures under the Balanced Migration projection are 64.3 million and 71.3%. Thus, moving from no migration at all to balanced migration reduces the dependency ratio by 6.0 percentage points and adds 7.0 million to the national population in 2081. This works out at an extra 1.2 million people for each one percentage point reduction in the dependency ratio. The big impact on age structure is due to the fact that those entering the country are on average younger than those leaving. Information for other time periods is shown in table 2.

— Higher rates of immigration can lower the dependency rate still further, but they have a large impact on population. Under the Balanced Migration projection, the dependency ratio rises to 71.3% and population to 64.3 million by 2081. Under the Principal projection, the corresponding figures are 67.7% and 85.3 million. Comparing these two scenarios, the extra immigration required to reduce the dependency ratio by 3.6 percentage points in 2081 adds an extra 21 million to national population by the end of the period. This works out at 5.7 million extra persons for each one percentage point reduction in the dependency ratio. It is equivalent to an extra 80,000 people every year for the next 75 years. Information for other time periods is shown in table 2. Note that the longer the time period, the more is the eventual addition to population associated with a given reduction in the dependency ratio.

Once net migration becomes positive, further increases in immigration generate relatively small changes in the dependency ratio. Other things being equal, these changes are beneficial to government finances because there are proportionately fewer people to be supported from taxes levied on the working age population. However, other things may not be equal. Some immigrants may not be able to find employment or they may remain at home because of domestic responsibilities. If they do get a job, their wages may be low and during the course of their life-time in the UK the government may spend more on them in the form of welfare benefits and public services than they pay in taxes. Other types of immigrant may be large net contributors to the exchequer. The overall contribution of immigrants will depend on the exact mixture of these various types. From a fiscal point of view, there is no benefit in admitting a large number of unskilled or non-working immigrants simply because they are young.

A policy of restricting unskilled immigration whilst encouraging skilled immigration is what a number of countries, such as Australia and Canada, already do, and what the EU is now proposing under its Blue Card scheme. It is also the intention of the new UK points-based system. From a purely selfish point of view, this may be a desirable policy, but it is ethically dubious since it may involve depriving poorer countries of their most talented and skilled people. Indeed, this is what is currently happening on a small scale in some of the new EU member states.

53 A comparison of the GAD Low Migration, Principal and High Migration projections indicates that differences in population across projections are proportional to differences in the assumed rates of net migration. From this property we can derive the Balanced Migration projection by means of the following simple formula:

$$\frac{P_{\text{Bal}}(x,t) - P_{\text{Low}}(x,t)}{(130 - 0)} = \frac{P_{\text{High}}(x,t) - P_{\text{Low}}(x,t)}{(250 - 130)}$$

where $P_{\text{Bal}}(x,t)$, $P_{\text{Low}}(x,t)$ and $P_{\text{High}}(x,t)$ are the population of age $x$ at time $t$ under the Balanced, Low and High Migration projections. Long-run net annual migration under these projections is 0, 130 thousand and 250 thousand respectively.
Table 1

PROJECTED CHANGES IN UK POPULATION AND AGE STRUCTURE

<table>
<thead>
<tr>
<th>Projection</th>
<th>Population (Millions)</th>
<th>2006</th>
<th>2031</th>
<th>2056</th>
<th>2081</th>
<th>Change 2006–81</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Migration (Natural Change)</td>
<td>0</td>
<td>60.6</td>
<td>63.8</td>
<td>61.5</td>
<td>57.3</td>
<td>−3.3</td>
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<tr>
<td>Balanced Migration</td>
<td>0</td>
<td>60.6</td>
<td>65.1</td>
<td>65.2</td>
<td>64.3</td>
<td>3.7</td>
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<tr>
<td>Low Migration</td>
<td>130,000</td>
<td>60.6</td>
<td>69.2</td>
<td>74.3</td>
<td>78.6</td>
<td>18.1</td>
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<tr>
<td>Principal Projection</td>
<td>180,000</td>
<td>60.6</td>
<td>71.1</td>
<td>78.6</td>
<td>85.3</td>
<td>24.7</td>
</tr>
<tr>
<td>High Migration</td>
<td>250,000</td>
<td>60.6</td>
<td>73.0</td>
<td>82.8</td>
<td>91.9</td>
<td>31.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Projection</th>
<th>Dependency Ratio (Percent)</th>
<th>2006</th>
<th>2031</th>
<th>2056</th>
<th>2081</th>
<th>Change 2006–81</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Migration (Natural Change)</td>
<td>0</td>
<td>60.7</td>
<td>68.2</td>
<td>73.6</td>
<td>77.3</td>
<td>16.7</td>
</tr>
<tr>
<td>Balanced Migration</td>
<td>0</td>
<td>60.7</td>
<td>66.5</td>
<td>68.2</td>
<td>71.3</td>
<td>10.7</td>
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<tr>
<td>Low Migration</td>
<td>130,000</td>
<td>60.7</td>
<td>64.6</td>
<td>65.1</td>
<td>68.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Principal Projection</td>
<td>180,000</td>
<td>60.7</td>
<td>63.9</td>
<td>63.9</td>
<td>67.7</td>
<td>7.0</td>
</tr>
<tr>
<td>High Migration</td>
<td>250,000</td>
<td>60.7</td>
<td>63.1</td>
<td>62.9</td>
<td>66.9</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: GAD except for the Balanced Migration projection, which is estimated by extrapolation from the published GAD projections. The No Migration projection assumes that there is no migration at all. The Balanced Migration projection assumes that the number of migrants entering the UK is equal to the number of migrants leaving the UK. The dependency ratio is the number of children plus pensioners per person of working age expressed as a percentage. The figures shown assume that the pension age increases in accordance with changes already announced.

Table 2

REDUCING THE DEPENDENCY RATIO THROUGH MIGRATION
THE MARGINAL IMPACT ON POPULATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Zero Migration to Balanced Migration</td>
<td>0.8 million</td>
<td>0.7 million</td>
<td>1.2 million</td>
</tr>
<tr>
<td>Balanced Migration to Principal projection</td>
<td>2.2 million</td>
<td>3.1 million</td>
<td>5.7 million</td>
</tr>
</tbody>
</table>

This table shows much population will increase for each one percentage point reduction in the dependency ratio. It is derived by from pair-wise comparisons of the projections shown.

1 November 2007
Examination of Witness


Q35 Chairman: Good afternoon, not that you need any introduction. You have been here a few times before if I recall.

Professor Nickell: One way and another, yes.

Q36 Chairman: We are very grateful to you for coming along to help us. I do not know whether you want to say anything to start the ball rolling or whether you want to go straight into the questions.

Professor Nickell: Why do we not go straight in?

Q37 Chairman: I wonder if you could start us off then by saying how, in your view, has recent immigration impacted on levels of wages and unemployment in the United Kingdom and have these impacts been in line with what labour economists would have expected?

Professor Nickell: There is a lot in that question. If I could start with wages and distinguish between relative wage effects, that is, comparing one group with another, and overall wage effects, if we start with relative wage effects, it has to be said, if you read the UK literature, that you would come to the conclusion at the end that immigration appears to have had little impact on relative pay. But I would say that if you focused more on occupations rather than regions and education levels, then my research suggests that there is something there, and in particular it seems to be the case that the relative pay of those who work in semi and unskilled services are affected by immigration into those particular sectors, in particular caring and personal services, such as care homes, and unskilled services like cleaning. There definitely seems to be an observed effect on relative pay in those particular occupations which is related to the amount of in-migration into those particular occupations. With regard to overall wage effects, there is evidence to suggest that immigration has increased flexibility in the labour market, reduced mismatch and by and large increased downward pressure on pay overall at any given level of economic activity. Unfortunately, there is no precise quantitative evidence of this, at least in the UK, but there are bits and pieces of evidence which are relatively persuasive and there is quite strong evidence that this has happened in Spain as a consequence of the in-migration there which, of course, is somewhat larger than it is in the UK. So there is some evidence to suggest that immigration overall makes the labour market more flexible and reduces the level of pay pressures even at given levels of activity. As far as employment is concerned, again, the effects that people have managed to detect in the data are not very large. I would say on balance there is some evidence to suggest that employment rates and participation are influenced negatively by the level of in-migration in the shortish run and among unskilled workers, but over the longer term those effects would probably disappear. Overall, of course, migration inflows initially tend to raise unemployment and hence reduce the upward pressure on wages. This would tend to be offset by more expansion in monetary policy and the aggregate outcome at the end would not be significant at all, at least in the medium term, so you could imagine a scenario where there is a flow of workers in, initially unemployment goes up, downward pressure on wages, downward pressure on inflation, monetary policy is loosened, some expansion in the economy absorbs the extra workers and at the end the thing looks much the same as it did at the beginning except there are more people.

Q38 Chairman: While you were saying that I was trying to relate it to what we have got in written evidence from people like bus companies who say they would like to employ local people but they simply cannot get them, and they try and train them and they cannot. By reason of what you were saying you are a bit sceptical about that, I understand.

Professor Nickell: It is just hard to see in the data. Of course, there are those sorts of stories and the sceptic might argue, “We find it very hard to find people at the pay we are prepared to give”, and in that sense inward migration loosens the labour market and enables people to be hired more readily. Of course, there is lots of anecdotal evidence along the lines of migrants tend to be more reliable, they need to work, et cetera, and there is obviously an element of that. My argument would be that has not shown up in any sense in the big picture and there is some evidence in the big picture that a significant flow of unskilled immigrants into a particular area does have some slight negative impact on the native population.

Q39 Lord Sheldon: What are the effects of immigration on British workers, in particular ethnic minorities?

Professor Nickell: I am afraid I do not know. I have no evidence on this question. It does not mean to say that such evidence does not exist but I am afraid I am unaware of any specific evidence of the impact of immigration on the labour market prospects of different ethnic groups. Of course, one can say that, given that there is some evidence that unskilled immigration has a somewhat deleterious impact on low skilled native groups, then, insofar as we know that certain ethnic groups have a higher level of unskilled than the average, those, of course, would tend to be affected more by this than, obviously, those ethnic groups which tend to be more skilled than the average.

Q40 Lord Sheldon: But when they come in they get jobs. There must be some calculation as to the kind of job that they get.
Professor Nickell: Yes, there is. Migrants overall get jobs at all levels. Basically, the skill levels of migrants are remarkably similar on average to the skill levels of the native population. I think slightly more migrants have degrees than the native population, but by and large the education levels match up quite well. However, because over time there is a persistent move in demand away from unskilled towards skilled, it is always in these circumstances that the unskilled part of the population tends to get worse off, and insofar as there are ethnic groups who tend to have lower skills than the average, they would be most affected by this.

Q41 Lord Layard: How do you think the existence of a national minimum wage administered by law affects the employers' demand for migrant labour compared with domestic labour? Do you think that the existing policies ensure employer compliance with minimum wages for migrants?

Professor Nickell: That is quite an interesting question. I am not sure I am the best person in the room to answer it. First of all, insofar as unskilled migrant workers are willing to travel to the UK and work for wages below the national minimum wage in the UK, clearly the existence of the national minimum wage, insofar as it is enforced, would reduce the demand for workers from that group. On the other hand it is worth bearing in mind that unskilled workers, ie, those who have no qualifications, are a relatively small proportion of all migrants, so I am not sure how significant this is. I fear I am not really an expert on compliance and enforcement with regard to the minimum wage. We do know, of course, that there are numerous stories in the press and elsewhere about migrant workers in agriculture and construction who are not well treated, but most migrant workers do not work in these areas. I guess my overwhelming answer to this is that I am not familiar enough with the compliance and enforcement literature on minimum wages to be able to answer this question very satisfactorily.

Q42 Lord Turner of Ecchinswell: Can I return to the question as to whether the empirical evidence is in line with what we would theoretically expect, given that the theory would be that if you get a flow of new factors of production not matched by others, ie, more labour not matched by more capital or more unskilled labour not matched by proportional quantities of skilled labour, you would expect to see perhaps a short-term employment quantity effect but a long term relative price effect? You seem to suggest that we are seeing that because we are seeing some price effect, but is it your opinion that those price effects are of the quantity that one might reasonably expect, given the theory, or are they strangely smaller than one might have expected, given the theory? Is there any disconnect of empirical and theoretical approaches here or is it to your mind a fairly consistent story?

Professor Nickell: In the literature most people are relatively surprised that the wage effects are not as big as they expect. A lot of this literature started in the United States, and a good early example was an analysis of the large influx of Cuban migrants into Miami quite a long time ago. When the wage levels of workers who would be expected to compete with these migrants were investigated before and after the movement of migrants the changes were very minimal. Some argued that one of the reasons for this was basically that if you analyse these things by region, by area, you do not take account of the consequent effects on the regional migration of native workers, so people argued that what happened in Miami was that a lot of native workers either moved out of Miami or did not go to Miami when they would otherwise have done so. George Borjas, who is a famous Harvard economist, espoused this theory and, using analyses which take account of this, he does find bigger wage effects. However, what I would say is that anyone who has tried to replicate this analysis in many other countries has never found big wage effects. This is an ongoing controversy but I think still, by and large, people think there are small wage effects and, furthermore, they do not think the small wage effects they find are due to responsive native migration around the country away from the immigrants. What is the answer? The best answer that people can come up is that in areas where, for example, in-migration has generated a large excess of unskilled workers the technology and the capital adjust very rapidly to take account of this. Putting it in the crudest possible way, lots of sweatshops suddenly appear and in some sense the capital and the other factors seem to adjust rather rapidly.

Q43 Lord Turner of Ecchinswell: So the capital moves from somewhere else?

Professor Nickell: Yes, and it is also of a different kind. It is of a more labour intensive kind if you have lots of unskilled workers. It has to be said that this is ongoing stuff and no-one has quite got to the bottom of it yet.

Q44 Lord Griffiths of Fforestfach: Is there any empirical evidence to suggest that as we have a flow of immigration so employers in the private sector and the public sector invest less in training and in labour-saving devices in companies?

Professor Nickell: As far as the evidence is concerned, there is some evidence along the lines which I just mentioned, namely, when there is a big influx of unskilled workers into a particular area there does seem to be more response in the type of capital that is employed and that capital is fundamentally at a
lower technical level than in areas where there is a ready supply of skilled workers than of unskilled workers, but most of that evidence is from the United States. The thing about the UK is that the skill mix of migrants is so similar to the skill mix of the native population that the training incentives are not affected that much, at least in the longer term. Of course, if there is a surge of migrants, some proportion of whom are skilled, then the employers may be tempted to go out into the market rather than do their own training, although we know there are a lot of other issues at the moment about why they might go out into the market instead of doing their own training anyway. Leaving that aside, there may be these short-run effects. My reading of such evidence as there is and my understanding of what goes on is that because of the similarity between the pattern of skills in the migrant workforce and the native workforce there is not much of an impact over the longer term on training incentives and incentives to invest in particular types of capital.

Q45 Lord Skidelsky: You have partly answered this, I think, in an earlier reply, but I want to ask you what effect you think immigration has on the rate of inflation. In your experience has immigration been a significant consideration for the Monetary Policy Committee?

Professor Nickell: The answer to the last bit of your question is yes. The first and obvious effect with migrants moving is that there is an inflow. Probably that temporarily increases the degree of labour market slack, puts down the pressure on inflation and the monetary policy response. That in some sense is not very troubling because we can respond to the inflationary consequences. Where we found immigration troubling was that what we wanted to do was to try and get good estimates of the potential output in the economy going forward, and in particular the growth of potential output, and the growth of potential output is basically productivity growth plus the growth in the number of people, and it was the latter where we had trouble because the estimates of projected in-migration, which was a key part of the projections of the growth of the labour force going forward, first of all kept changing all the time and, secondly, they seemed to be based on a method of collection which did not appear, at least then, to be wholly reliable. Since the growth in the potential output is a key part of monetary policy making because we are interested in that relative to the growth in demand in the economy, and if you do not have a very clear idea of what the rate of growth of potential output in the economy actually is, your forecasts of inflation become that much more uncertain. We used to worry about this quite a lot and we had people at the Bank going to talk to people at the ONS about how the data were collected and so on, and this was quite a serious issue for us.

Q46 Lord Skidelsky: The task would have been easier had the numbers been better?

Professor Nickell: Yes. I do not want to go too far in this and say it was really a disaster because we just did not know what was happening, but yes, it was somewhat frustrating in the sense that we spent a lot of time looking forward and, of course, you do not know what is going to happen in the future, but not knowing where you are at any given time is rather frustrating because it does not just happen for migration; it happens for GDP and all sorts of other things as well.

Q47 Lord Griffiths of Fforestfach: From your experience of the Committee do you think there was ever a time, as you look back over the decisions you made in setting interest rates, when, if you had had more correct forward data or better predictions going forward, you would have set a different interest rate?

Professor Nickell: That is a good question.

Q48 Lord Griffiths of Fforestfach: Because that, it seems to me, is the real rub. I see intellectually you make a case, and if I were on that Committee I would feel exactly the same as you did, but the rub is, did you set interest rates on the numbers?

Professor Nickell: Let us put it this way. We may have made mistakes but I do not think we made mistakes because of in-migration.

Q49 Lord Kingsdown: I have another question on the impact of immigration, this time on housing and on house prices, both in the private housing market and on social housing.

Professor Nickell: Since the late 1990s, as far as we know, net migration to the UK has been around 180,000 a year, which is considerably faster than it was in the past, and that has probably contributed to between a third and a quarter of the rise in the number of households over that period. House prices over that period, as we know, rose very rapidly, and the drivers of the rise in house prices have been the continuing rise in household incomes, the rise in the number of households, and the comparatively low levels of house building. I think, of these, the rise in household incomes is the key. We have quite good information on the impact of changes in the rate of increase of the number of households on house prices and looking at historical data we know something about that. So, to give you an example, doing a bit of a back-of-the-envelope calculation, I found the following: if there had been no net migration since 2000, then instead of house prices rising over the period from four times average earnings to seven times average earnings, the calculation I did suggests...
Professor Stephen Nickell

9 October 2007

that house prices would have risen to around six and a half times average earnings. So that is not insignificant but it is not in any sense the story. So that gives you some idea of the market housing sector. What about social housing? In the big picture, the demand for social housing is actually driven in quite large part by the price of housing and the level of rents in the market sector, and as these have gone up so the demand for social housing has risen. That is very important. What particularly about migration directly, though? We know that some migrant groups, such as Somalis and Bangladeshis, are much more likely to live in social housing than the average UK individual but, perhaps more importantly, the vast majority of migrants are far less likely to live in social housing than average. Of course Indians, who are currently the largest migrant group, are only half as likely to live in social housing as the average UK citizen and the same applies to Poles. Of course there will be some groups of migrants who, for a variety of reasons, make particular demands upon social housing; but, overall, migrants are less likely to use social housing than the native population.

Q50 Lord Turner of Ecchinswell: My supplementary was whether you had looked at what the balance between household fragmentation and total population growth might be going forward. You said that over the last 15 years or so—I think it was—that a third of the increase in households was coming from net migration. Professor Nickell: Yes, that is what the ONS people think.

Q51 Lord Turner of Ecchinswell: And about two-thirds from household fragmentation, ie smaller average size of household?
Professor Nickell: Of existing households.

Q52 Lord Turner of Ecchinswell: Presumably, however, the household fragmentation process, that people live in smaller and smaller households, is an effect which at some stage comes to an end, so beyond a certain date the proportion which is actually driven by population expansion would become bigger, would it not?
Professor Nickell: I would think it is going to go on but one of the key features of this is the fact that people live for longer periods. Life expectancy is rising linearly and has been doing so since 1870. Despite projections at every point that it was going to level off, it never does, and of course if people live longer, and longer and longer, that of itself raises the number of households without anything else having to happen.

Q53 Lord Turner of Ecchinswell: Because it drives population growth?

Professor Nickell: Exactly, but also of course since old people rarely live in more than two-person households, and often in one-person households, that is a very important factor which is probably not going to level off. Certainly in the projections, there is no levelling off in this process of households getting smaller and smaller. Of course, we know that projections in this world are often extrapolations of existing trends and therefore you could say, well, of course, because that is the way they project. There is no real sign of it levelling off but I take your point.

Q54 Lord Skidelsky: Maybe I could smuggle in two very quick questions. Your previous reply on the demand for housing suggested that perhaps a disproportionate demand from Indian migrants was for private rented accommodation.
Professor Nickell: No, I said they did not use social housing. In fact, I looked at the numbers and 86% of Indians live in owner-occupied houses, by far the highest group of owner-occupiers in the whole country.

Q55 Lord Skidelsky: That is very interesting and the second question, which no-one has asked but is on the menu, is: do you think the Government should curtail immigration in order to reduce housing demand and make housing more affordable?
Professor Nickell: Well, that is politics, is it not?

Q56 Lord Skidelsky: Everyone has got their opinion.
Professor Nickell: My answer to that question would be no, which does not mean to say I think we should not curtail immigration, but you do not solve the housing problem by curtailing immigration. That is what I would say. So the argument is straightforward. It follows from my previous arguments, and at the National Housing Planning Advice Unit we have been making projections of where house prices are going, and at current rates of house building we reckon that the house prices to income ratio (that is at current rates of house building) would rise from seven, where it is now, to around 10 after 20 years. That rise is in part generated by the projected levels of in-migration, but making the same sort of calculations as I was telling you about before, supposing you reduced net migration to zero for the next 20 years, I reckon the house price to income ratio would still rise but to somewhat over nine rather than to 10, so we would still need to build lots of new homes if we wish to stabilise affordability and so there would still be a housing market challenge. Of course, you may wish to curtail in-migration in other ways, for other reasons, but, as I say, that would not change the fundamental housing market challenge.
Q57 Lord Macdonald of Tradeston: Just another aspect on housing. I assume there is a strong demand from the indigenous population for social housing?
Professor Nickell: Yes.

Q58 Lord Macdonald of Tradeston: I think it is probably unlikely that will be met by new building but you are saying there are some groups that are disproportionately involved in social housing, which obviously creates tensions in communities.
Professor Nickell: Yes.

Q59 Lord Macdonald of Tradeston: Can you see a way of squaring that to give perhaps more opportunities for the indigenous population to get into social housing?
Professor Nickell: The way I think about the housing market is the following: the first thing you have to do is if you have more housing in the market sector so that prices in the market sector moderate, then, almost by definition, there would be more people moving into the market sector and less pressure on social housing. That is the first point. Secondly, to put it bluntly, the reason why there is a demand for social housing is because people do not have enough money. Those groups of migrants who disproportionately make use of social housing by and large do so because they are poor, they do not earn enough money. It is not specifically because they are migrants; it is because they are individuals who do not earn enough money. You might ask why certain groups of migrants have low levels of earnings and that may be to do with their education, and so on and so forth, but if you then wish to say when you are allocating social housing, “We want to allocate social housing this way or that way,” that is basically up to the people who allocate social housing. If they feel that they have to give preference to certain types of individuals, then they will do so. I am not sure that they should but that is what they will do.

Q60 Lord Lamont of Lerwick: Could I just come back to the economic arguments because I was slightly struck by what I thought was a bit of a contrast between your views as a macro economist and your views as a micro labour market economist, because when you were discussing the macro scene you were saying immigration obviously produces slack on the labour market, relaxes pay pressures for a given level of activity, allows more expansion in monetary policy, all that one would expect, and yet when one comes to the impact of immigration on relative wages you are saying one can hardly find it. There seems to be a contradiction between those two, either the theory or the facts, and I am inclined to believe the facts, although I would prefer the theory. Might not the answer simply be that it is very difficult in labour market statistics actually to discern what might have been in other circumstances?
Professor Nickell: Yes, there is always a problem with counter-factuals, although the technology, the empirical investigation is getting better at trying to deal with that. For example, if you have two contiguous regions and one has a lot of migrants coming in and the other does not then not only have you got “before and after” but you have got comparison of the regions, and you think you might be able to say something about the consequences of the inflow of migrants. I agree with you that the apparent lack of wage effects which we tend to see is a bit of a puzzle and we would expect them to be bigger, and economists, having fertile imaginations are busy thinking up reasons why this might be so, but it cannot be said that they have managed to evaluate those reasons to any great degree. So we remain with a certain amount of a puzzle really. I think that is only fair.

Chairman: I wonder if that is a good point at which to stop this discussion with a certain amount of puzzlement. Does anybody want to say any more?

Q61 Lord Layard: The statement that everything is neutral with respect to the size of the population, which basically you have been putting forward and so did Bob Rowthorn, it depends upon the view that the capital stock will respond to the change in the size of the population. What is the evidential basis for that?
Professor Nickell: “I suppose it is that bigger countries have bigger capital stocks but perhaps that is a cheat. You mean can you see—?”

Q62 Lord Layard: —Can you see that when more people go into Canada that that has an effect?
Professor Nickell: I do not know the data. The fact is the rates of change in the population are so small with these things that it would be very hard to detect given that any historical investment series just fluctuates enormously. I am afraid I do not know the literature but I am sure someone has found somewhere an area or a region where the inflow of population has been enormous and has found further information on that, but I do not know.

Q63 Chairman: Can I thank you very much indeed for coming along and enlightening us with your answers and leaving us with a few puzzles as well; we are very grateful to you.
Professor Nickell: Not at all.
Written evidence from Professor Stephen Nickell, Nuffield College, Oxford University

It appears that Sir Andrew Green (Q 541) thinks that the expansion of households is the only significant factor in housing demand. In fact, per capita real incomes are equally important and will drive upwards the demand for housing services, and hence house prices, even if there are no extra people.

My calculation is done as follows and refers to England:

If we continue to build houses at the current rate (ie roughly the RPG plans (Regional Planning Guidance), the NHPAU (National Housing and Planning Advice Unit) model indicates that the house price to income ratio will rise from 7.07 in 2006 to 10.46 in 2026. This uses the CLG (Communities for Local Government) household projections of an average of 223k new households per annum, an average growth of approximately 0.94% per annum. The rise from 7.07 to 10.46 in 20 years is approximately 2% per annum.

The NHPAU model suggests that a 1% ceteris paribus rise in the number of households raises house prices by 2%. Suppose there was zero net migration. CLG used to suggest that this would reduce the rate of growth of households by one third, or by 0.31 percentage points per annum (one third of 0.94). Using the model coefficient of 2, this suggests that house price to income growth would be reduced from 2% per annum to 2-2x0.31 = 1.38% per annum. At this rate, the house price to income ratio would rise from 7.07 to 9.3 by 2026 as indicated in my evidence.

If we use the latest CLG figures on the contribution of migrants to household growth, namely 0.4, as favoured by Sir Andrew Green, then if migration was zero, the house price to income ratio would rise to 9.06 by 2026. So housing remains a big challenge even in the absence of immigration.

23 January 2008
TUESDAY 16 OCTOBER 2007

Memorandum by the Office for National Statistics

SUMMARY

This submission provides the statistical evidence to the House of Lords Select Committee on Economic Affairs as background to the investigation of the economic impact of immigration. It has been drawn together by the Office for National Statistics, assisted by the Department of Work and Pensions and the Home Office.

The submission contains evidence on the following:

Background (Section 1)

Measuring international migration is complex. To meet the key requirements for statistics, timely, accurate estimates are needed of the number of people coming into, going out of and present in the country for different durations and reasons (short and long term residence, seeking refuge, employment, study, etc). This cannot be achieved using a single source of information. Some of the key sources and indicators are described (Total International Migration, International Passenger Survey, Labour Force Survey, National Insurance numbers and the Worker Registration Scheme).

Numbers and characteristics of immigrants (Section 2)

By 2006, the Labour Force Survey (LFS) indicated that the proportion of the resident population born abroad had risen to 10%. In the years 2001 to 2005, there were 2,258,000 foreign born arrivals into the UK for a year or more and 871,000 departures, indicating a net growth of foreign born residents of 1,387,000. Taking account of a net outflow of the UK-born, the overall effect of long term migration among the foreign and UK born was to add 885,000 to the population in the five years to the end of 2005. Latest figures indicate that, between mid-2001 and mid-2006, the contribution of long term migration to population growth was 939,000. The submission provides details of these flows by year, citizenship, country of birth, duration of stay, age and region. The impact on fertility levels is described.

Population projections and migration (Section 3)

Population projections based on 2006 estimates will be published on 23 October. They will include a long term assumption, based on past trends, of 190,000 net annual increase in population due to migration. This replaces the 2004-based assumption of 145,000. The 2004-based projections indicated that the population of the UK is expected to continue to grow, driven by positive natural change (more births than deaths) and net immigration. However, the key demographic challenge for the UK in the years ahead will be population ageing. The 2004-based projections suggest that the proportion of the population that is aged over 65 is expected to rise from 16% in 2007 to 21% in 2027, and then to 26% by 2057.

Employment of immigrants (Section 4)

A significant proportion of foreign-born workers are working in the public administration, education and health (32%), distribution, hotels and restaurants (21%) and banking, finance and insurance (20%) sectors. A8 foreign-born are particularly concentrated in the distribution, hotels and restaurants (24%), manufacturing (21%) and construction (14%) sectors. The submission provides further details of economic activity rates, wage levels, and proportions self-employed. These are analysed by duration of time in the UK and compared with the UK born. Figures are provided on proportions claiming benefits within six months.
How can data on immigration be improved? (Section 5)

In May 2006, the Inter-Departmental Task Force on international migration statistics was set up by the National Statistician to recommend timely improvements that could be made to estimates of migration and migrant populations in the United Kingdom, both nationally and at local level. The Task Force report was published in December 2006. The submission summarises the Task force recommendations, describes improvements made to date and plans for further improvements in each of the years 2008 to 2012.

How immigration is reflected in the National Accounts (Annex A)

Gross Domestic Product (GDP) is the headline summary indicator of economic activity in the UK. There are three approaches to producing one measure of GDP, namely the production, income and expenditure approaches. The national accounts framework allows the capture of immigrants’ production, income and expenditure. While there may be issues of under-recording, when activity is illegal or informal, the use of Supply-Use balancing to bring together the three approaches to GDP into a single measure of growth is thought to minimise the problem. Because data collection, estimation and reporting are not structured according to demographic groups, the national accounts framework does not however make it possible to identify the direct contribution of immigrants to the measured levels of economic activity.

Section 1 Background

“Understanding the size and characteristics of the population and how it is changing is hugely important for society and the economy. It is essential to have relevant, accurate and timely migration and population statistics to provide the evidence base for managing the economy, developing policies and allocating resources for service delivery . . .

For the last few years migration has been the main factor affecting population numbers in this country. However, there is now a broad recognition that available estimates of migrant numbers are inadequate to meet all the purposes for which they are now required. They are the weakest component in population estimates and projections in the United Kingdom, both nationally and at local level. They are much more difficult to measure accurately than births and deaths, the other major components of population change.”


1. Measuring international migration is complex. To meet the key requirements for statistics, timely, accurate estimates are needed of the number of people coming into, going out of and present in the country for different durations and reasons (short and long term residence, seeking refuge, employment, study, etc). This cannot be achieved using a single source of information. For this reason, a range of indicators and data sources are needed to illuminate the different requirements. This submission aims to bring a number of these together to provide a coherent picture of how the number and characteristics of migrants are currently affecting the demography and economy of the UK. It then identifies the changes to statistical sources and methods that are needed to improve our understanding of the multi-faceted process that is migration.

2. As a preliminary, it is important to recognise the range of current sources of information on migration, how their coverage differs and their individual strengths and limitations. These are summarised below.

1.1: UNITED NATIONS DEFINITION OF MIGRANTS

Long-term international migrant

The United Nations recommended definition of a long-term international migrant is:

A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence. From the perspective of the country of departure the person will be a long-term emigrant and from that of the country of arrival the person will be a long-term immigrant.

This 12-month migrant definition is used for the UK usually resident population estimate series.
**Short-term international migrant**

The United Nations recommended definition of a short-term international migrant is:

A person who moves to a country other than that of his or her usual residence for a period of at least three months but less than a year (12 months), except in cases where the movement to that country is for purposes of recreation, holiday, visits to friends and relatives, business, medical treatment or religious pilgrimage. For purposes of international migration statistics, the country of usual residence of short-term migrants is considered to be the country of destination during the period they spend in it.

UK population estimates do not currently include short-term in-migrants as usually resident in the UK, nor do they exclude short-term out-migrants from the usually resident population.

**Total International Migration**

3. Estimates of the total number of people entering or leaving the UK as long term migrants are produced by ONS using a combination of sources:

- migration data from the International Passenger Survey (IPS);
- visitor data from the IPS to estimate those people who initially come to or leave the UK for a period of less than 12 months, but subsequently stay for a year or longer (visitor switchers);
- Home Office data on asylum seekers and their dependants;
- estimates of migration between the UK and the Irish Republic.

**International Passenger Survey**

4. This is a sample survey of passengers arriving at, and departing from, the main United Kingdom air and sea ports and the Channel Tunnel. Of those sampled, approximately 1% were migrant interviews in years up to 2007, which amounted to around 3,000 interviews with migrants entering the country and 800 with those departing. From 2007, the number of interviews with departing migrants is being boosted to a comparable level to those on entry. Further details are given in Annex B.

5. In terms of measuring migration, the IPS has three main limitations:

- it does not cover all types of migration (eg land routes between the UK and the Irish Republic, most asylum seekers and some dependants of asylum seekers);
- as a sample survey, the estimates are subject to a degree of uncertainty; and
- migration estimates are based on respondents' intentions, which may or may not accord with their final actions. Adjustments are required to account for those who change their intentions, known as “switchers”.

6. While the IPS is the main source of migrant information data used in estimating Total International Migration, several other key sources are used in this submission. These are summarised below. Further details can be found in Annex B.

**Labour Force Survey (LFS)**

7. The Labour Force Survey (LFS) is a quarterly household survey run by ONS, representative of the household population of the UK. The LFS collects a wide range of information including nationality and country of birth. The data can be used as an indicator of the non-British or foreign born migrant numbers in the UK. The population covered is all people resident in private households. This includes households in multi-occupied dwellings, but excludes most communal establishments (eg migrants in hostels, foreign students living in halls of residence). People who have not lived in the UK for six months are excluded.

**National Insurance Number (NINo) Allocations**

8. National Insurance Numbers are issued to individuals over the age of 16 and are used to record a person’s national insurance contributions and social security benefit claims. New numbers are issued to migrants including:

- All non-UK born nationals aged 16 or over working, planning to work or claim benefits legally in the UK, regardless of how long individuals intend to stay.
but excluding:

— Dependents of NI No applicants, unless they work or claim benefits.
— Individuals from overseas not working, planning to work, or claim benefits—for example, this will include many students.
— Migrants who are not of working age and not claiming benefits.
— Those with an existing national insurance number, for example returning UK nationals.

9. The statistics are derived as a byproduct of an administrative system not designed primarily for statistical purposes. For this reason the statistics do not, for example, distinguish between short-term and long-term migration and hence do not match the UN definition of migration.

The Worker Registration Scheme (WRS)

10. Following expansion of the European Union on 1st May 2004, the Government put in place transitional measures to regulate access to the labour market and to restrict access to benefits for nationals from new member states. Nationals of the A8 countries who wish to take up employment in the UK for a period of at least a month are generally required to register with the WRS.

11. The population covered on the WRS includes:

— Long-term international migrants from A8 countries working as employees in the UK.
— Visitors and short term migrants from A8 countries, staying for over a month, and intending to work as employees in the UK.
— Dependents of WRS applicants. It is likely that there is some double counting as dependents may also be registered in their own right on the WRS.

but excludes:

— Migrants from A8 countries who are self-employed.
— A8 migrants staying for less than a month.
— A8 migrants who migrate or visit the UK for reasons other than work, for example including potentially many students.
— Migrants from non-A8 countries.

Section 2 Numbers and Characteristics of Immigrants

What numbers are relevant to the impact of recent immigration?

1. According to UN statistics, 191 million people across the world were living abroad in 2005. Figures from the UK Census, in 2001, showed nearly 5 million UK residents born abroad. This represented 8% of the population. By 2006, the Labour Force Survey (LFS) indicated that this proportion had risen to 10% of the population. This growth provides one indicator of the effect of recent immigration on population numbers. However it should be recognised that this does not provide a direct measure of new arrivals, simply an indicator of net change in the foreign born resident population.

2. The latest available information showing the flow of foreign born long-term migrants into and out of the UK, based on the UN definition (see Box1.1) is for the calendar year 2005. Figures for foreign born migrants in 2006 will be published in Spring 2008. In the years 2001 to 2005, there were 2,258,000 foreign born arrivals into the UK for a year or more and 871,000 departures, indicating a net growth of foreign born residents of 1,387,000. The pattern of flows among UK-born residents over this period was very different. Around 897,000 left the country for a year or more and 394,000 returned, resulting in a net reduction in the UK born population of half a million in the years 2001 to 2005. For these reasons, the combined effect of migration among the foreign and UK born was to add 884,000 to the population in the five years to the end of 2005.
3. Trends in foreign born migration are shown in Figure 2.1. In 2005, there were 489,000 arrivals of foreign born migrants and 193,000 departures indicating a net growth of 296,000 in this population. Overall migration contributed 185,000 to UK population growth, as there was a net fall of 111,000 in the UK born population.

**Figure 2.1**

FOREIGN BORN TOTAL INTERNATIONAL MIGRATION, 1991 to 2005
Latest figures to mid-2006

4. More recent figures, to mid-2006, are available for the total numbers of international migrants, without any separation of UK and foreign born. For the three most recent years, these recent figures include a relatively small improvement in the way ONS takes account of those people whose intentions about length of stay change after entry. Between mid-2001 and mid-2006, these figures indicate that the contribution of long-term migration to population growth was 939,000. Both in migration and out migration have increased since 2001. In the year to mid-2006, the flow of long-term migrants into the UK was 574,000 and the outflow was 385,000. The figures for the three years from mid-2003 to mid-2006 were higher than those seen in any earlier years since current methods for estimating migration were introduced in 1991 (see Figure 2.2)

Figure 2.2

UK TOTAL INTERNATIONAL MIGRATION, MID-1996 TO MID-2006

Citizenship

5. Table 2.1 shows the distribution by citizenship, as distinct from country of birth. In the year to mid-2006, there were 468,000 non-British migrants (compared to 505,000 in the year to mid-2005 and 433,000 in the year to mid-2004). Of these, citizens from the eight central and eastern European countries that acceded to the EU on 1 May 2004 (known as the A8) comprised 74,000 in the year to mid-2006, 77,000 to mid-2005 and 20,000 to mid-2004 (the year prior to accession). This change in flows is illustrated in the half-yearly figures for EU citizens shown in Table 2.2.

Table 2.1


<table>
<thead>
<tr>
<th></th>
<th>United Kingdom thousands</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>All British</td>
</tr>
<tr>
<td></td>
<td>British</td>
</tr>
<tr>
<td>Inflow 2003–04²</td>
<td>526</td>
</tr>
<tr>
<td>Inflow 2004–05</td>
<td>593</td>
</tr>
<tr>
<td>Inflow 2005–06³</td>
<td>559</td>
</tr>
<tr>
<td>Outflow 2003–04²</td>
<td>353</td>
</tr>
<tr>
<td>Outflow 2004–05</td>
<td>334</td>
</tr>
<tr>
<td>Outflow 2005–06³</td>
<td>383</td>
</tr>
<tr>
<td>Balance 2003–04²</td>
<td>+173</td>
</tr>
<tr>
<td>Balance 2004–05</td>
<td>+258</td>
</tr>
<tr>
<td>Balance 2005–06³</td>
<td>+176</td>
</tr>
</tbody>
</table>

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1 Based mainly on data from the International Passenger Survey. Includes adjustments for (1) those whose intended length of stay changes so that their migrant status changes (or “switchers”); (2) asylum seekers and their dependants not identified by the IPS (AS); and (3) flows between the UK and the Republic of Ireland. The estimates of total international migration for the UK shown in this table differ from the international migration component of change for the UK. This is due to a slightly different methodology being used in Scotland and Northern Ireland to estimate international migration for the purposes of population estimation.

2 European Union estimates are shown for the EU15 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, the Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden), the A10 (Malta and Cyprus plus the A8), the A8 (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) and the EU 25 (EU15 and A10 groupings). British citizens are excluded from all groupings and shown separately. These estimates do not include the two new member states admitted to the EU in January 2007. These will be included in the 2007 international migration estimates.

3 The A10 estimates for the second half of 2003 are also included in the New Commonwealth and Other Foreign columns.


5 For 2004 onwards, the New Commonwealth excludes Malta and Cyprus, these are included for the second half of 2003.

6 “Other foreign” are all citizenships that are not part of the EU or the Commonwealth groupings. For 2004 onwards, Other foreign excludes the eight Central and Eastern European member states that joined the EU in May 2004. These are included for the second half of 2003.

7 A new assumption for the proportion of visitors and migrants assuming to “switch” categories was introduced in 2004. Therefore, the 2003–04 year uses the previous assumption for the second half of 2003.

8 The 2005–06 estimates may change as they include provisional estimates for the first half of 2006.
Table 2.2

TOTAL INTERNATIONAL MIGRATION, HALF YEAR ESTIMATES1 BY EU CITIZENSHIP, 2004 TO MID-2006

<table>
<thead>
<tr>
<th>Citizenship</th>
<th>2004</th>
<th></th>
<th>2005</th>
<th></th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU25</td>
<td>45</td>
<td>83</td>
<td>63</td>
<td>86</td>
<td>62</td>
</tr>
<tr>
<td>EU15</td>
<td>30</td>
<td>45</td>
<td>23</td>
<td>46</td>
<td>27</td>
</tr>
<tr>
<td>A8</td>
<td>15</td>
<td>38</td>
<td>39</td>
<td>38</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Office for National Statistics

1 Half year estimates add to the mid-year estimates

6. The latest available information showing details of reason for visit, age, gender of those entering the country is for the calendar year 2005. Equivalent detailed information for 2006 will be published in Spring 2008, although total numbers with limited detail (eg citizenship and region) will be published in November 2007.

7. Overall, nearly half of all citizens migrating to the UK gave work-related reasons (see Figure 2.3). “Formal study” is another important reason for people migrating to the UK, accounting for almost a quarter of all immigration in 2005. Almost 85% of those A8 citizens migrating to the UK in 2005 came for work reasons, that is, they were “looking for work” or had a “definite job” to go to.

Figure 2.3

TOTAL INTERNATIONAL IN-MIGRATION BY REASON FOR VISIT, 2005

Source: Office for National Statistics: International Migration, Series MN no 32

8. The number of immigrants who were in manual and clerical occupations prior to migration has risen faster than other groups over the last five years (from 91,000 in 2001 to 147,000 in 2005), to comprise around a quarter of migrants in 2005 compared to around one fifth in 2001. In both years, professional and managerial occupations accounted for about a third and students about a quarter. The remainder were children and adults with no usual occupation. Both the number and proportion in these groups fell slightly over the five years.
Age distribution

9. The age distribution of migrants differs quite considerably from the population as a whole. Around 40% of long term migrants to the UK in 2005 were aged 15 to 24, compared to 13% for the UK population as a whole. Corresponding figures at ages 25–44 were 48% and 29%. A smaller percentage of migrants were aged under 15 (5%, compared to 18%) or 45 or over (7%, compared to 40%). There was an increase in immigrants aged 15–44, as a percentage of total UK population, between 1997 and 2005 (Figure 2.4).

Figure 2.4

SMOOTHED TOTAL INTERNATIONAL MIGRATION ESTIMATES BY BROAD AGE GROUP AS A PERCENTAGE OF THE TOTAL UK POPULATION (FOR EACH AGE GROUP)

Source: Office for National Statistics: International Migration, Series MN no 32
10. Statistics on overseas nationals allocated a National Insurance number (NiNO) and entering the UK in 2005–06, show that 41% were aged 18–24 and a similar percentage were aged 25–34 (Table 2.3). Males (55%) outnumbered females (45%). This gender difference was evident at ages 25 and over, but not at younger ages. At ages under 18, those in full time education are excluded from figures based on NiNOs.

Table 2.3

OVERSEAS NATIONALS ENTERING THE UK IN 2005–06 AND ALLOCATED A NINO BY AGE AND GENDER

<table>
<thead>
<tr>
<th>Age Range</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 18</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>18–24</td>
<td>41%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>25–34</td>
<td>41%</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>35–44</td>
<td>11%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>45–54</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>55–59</td>
<td>1%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>60+</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Source: 100% extract from National Insurance Recording System at 14 May 2007. Percentages are rounded to the nearest per cent and may not sum due to rounding. Arrivals figures subject to change as some migrants may take several months or years between arrival and NI application/registration.

“–” denotes nil or negligible.

Figure 2.5

TOTAL INTERNATIONAL IN-MIGRATION BY INTENDED LENGTH OF STAY, 2005

Source: Office for National Statistics: International Migration, Series MN no 32

11. An estimated 44% of these new immigrants in 2005 intended to stay in the UK for 1–2 years, 19% for 3–4 years and 30% for more than 4 years (7% were not sure). Figure 2.5 shows that the main increase since 2001 has been in those intending to stay for 1–2 years.
Regions

12. Over the five year period mid-2001 to mid-2006, migration contributed to population growth in every region (Table 2.4). London received the largest number of international migrants (892,000), but also had the largest number of residents going abroad (491,000). As a result, migration contributed 401,000 to population growth in London.

Table 2.4

INTERNATIONAL MIGRATION: GOVERNMENT OFFICE REGION OF DESTINATION AND DEPARTURE IN ENGLAND, MID-2001 TO MID-2006

<table>
<thead>
<tr>
<th>Region</th>
<th>In Migration</th>
<th>Out Migration</th>
<th>Net Migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>2,445</td>
<td>1,554</td>
<td>891</td>
</tr>
<tr>
<td>North East</td>
<td>61</td>
<td>48</td>
<td>13</td>
</tr>
<tr>
<td>North West</td>
<td>196</td>
<td>148</td>
<td>48</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>213</td>
<td>104</td>
<td>109</td>
</tr>
<tr>
<td>East Midlands</td>
<td>151</td>
<td>87</td>
<td>64</td>
</tr>
<tr>
<td>West Midlands</td>
<td>166</td>
<td>105</td>
<td>61</td>
</tr>
<tr>
<td>East of England</td>
<td>221</td>
<td>154</td>
<td>67</td>
</tr>
<tr>
<td>London</td>
<td>892</td>
<td>491</td>
<td>401</td>
</tr>
<tr>
<td>South East</td>
<td>361</td>
<td>271</td>
<td>90</td>
</tr>
<tr>
<td>South West</td>
<td>184</td>
<td>147</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: Office for National Statistics

13. Many local areas experience both high levels of in migration and high levels of out migration. For this reason, growth due to migration may understate the volume of change experienced in an area. Table 2.5 shows local areas where the combined level of in and out migration was high.

Table 2.5

LOCAL AUTHORITY AREAS WITH THE HIGHEST VOLUME OF INTERNATIONAL MIGRATION PER 1,000 POPULATION

<table>
<thead>
<tr>
<th>Area</th>
<th>Internal Migration</th>
<th>International Migration</th>
<th>Volume of Migration per 1,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In</td>
<td>Out</td>
<td>In</td>
</tr>
<tr>
<td>Westminster</td>
<td>88,700</td>
<td>95,200</td>
<td>65,700</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>48,200</td>
<td>59,200</td>
<td>49,400</td>
</tr>
<tr>
<td>Cambridge</td>
<td>54,100</td>
<td>57,900</td>
<td>28,500</td>
</tr>
<tr>
<td>City of London</td>
<td>3,900</td>
<td>3,600</td>
<td>1,500</td>
</tr>
<tr>
<td>Camden</td>
<td>86,299</td>
<td>96,900</td>
<td>53,400</td>
</tr>
<tr>
<td>Oxford</td>
<td>66,000</td>
<td>70,800</td>
<td>31,900</td>
</tr>
<tr>
<td>Hammersmith and Fulham</td>
<td>66,900</td>
<td>83,200</td>
<td>33,200</td>
</tr>
<tr>
<td>Islington</td>
<td>77,300</td>
<td>90,200</td>
<td>29,000</td>
</tr>
<tr>
<td>Brent</td>
<td>71,100</td>
<td>109,200</td>
<td>46,900</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>123,400</td>
<td>142,300</td>
<td>40,800</td>
</tr>
</tbody>
</table>

Source: Office for National Statistics

Notes

1. Volume of migration per 1,000 population is calculated separately for all migration and international migration as (in migration + out migration)/population *1,000.
2. Rates for the City of London and Isles of Scilly are based on less than 10,000 population.
   - Nil or less than half the final digit shown.
14. Table 2.6 shows NINO registrations by Government Office Region in 2006–07 and indicates how many of these were from people coming from the top 10 countries of origin. London accounted for the largest number of registrations (244,020 out of 713,450 for the UK as a whole), of which 43,420 were to those originating from Poland.

### Table 2.6

<table>
<thead>
<tr>
<th>Government Office Region</th>
<th>All registrations</th>
<th>Poland</th>
<th>India</th>
<th>Rep of South Africa</th>
<th>Rep of Poland</th>
<th>Rep of South East</th>
<th>Rep of France</th>
<th>South East</th>
<th>Overseas Residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>All registrations</td>
<td>713,450</td>
<td>222,760</td>
<td>49,330</td>
<td>28,840</td>
<td>25,320</td>
<td>24,400</td>
<td>20,230</td>
<td>16,920</td>
<td>9,590</td>
</tr>
<tr>
<td>North East</td>
<td>13,270</td>
<td>4,120</td>
<td>1,680</td>
<td>300</td>
<td>430</td>
<td>190</td>
<td>230</td>
<td>290</td>
<td>140</td>
</tr>
<tr>
<td>North West</td>
<td>51,550</td>
<td>20,190</td>
<td>3,100</td>
<td>2,660</td>
<td>3,460</td>
<td>710</td>
<td>1,050</td>
<td>840</td>
<td>650</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>41,640</td>
<td>16,390</td>
<td>2,260</td>
<td>2,750</td>
<td>3,310</td>
<td>480</td>
<td>1,160</td>
<td>580</td>
<td>520</td>
</tr>
<tr>
<td>East Midlands</td>
<td>41,000</td>
<td>18,190</td>
<td>3,280</td>
<td>2,240</td>
<td>890</td>
<td>390</td>
<td>1,800</td>
<td>530</td>
<td>620</td>
</tr>
<tr>
<td>West Midlands</td>
<td>48,000</td>
<td>18,600</td>
<td>4,140</td>
<td>2,830</td>
<td>3,010</td>
<td>430</td>
<td>1,070</td>
<td>830</td>
<td>550</td>
</tr>
<tr>
<td>East of England</td>
<td>53,370</td>
<td>19,840</td>
<td>3,360</td>
<td>2,570</td>
<td>1,390</td>
<td>920</td>
<td>3,120</td>
<td>990</td>
<td>1,190</td>
</tr>
<tr>
<td>London</td>
<td>244,090</td>
<td>43,420</td>
<td>18,550</td>
<td>4,910</td>
<td>8,800</td>
<td>15,000</td>
<td>8,330</td>
<td>10,640</td>
<td>7,830</td>
</tr>
<tr>
<td>South East</td>
<td>80,130</td>
<td>24,400</td>
<td>5,340</td>
<td>3,520</td>
<td>2,120</td>
<td>2,110</td>
<td>1,930</td>
<td>2,160</td>
<td>2,900</td>
</tr>
<tr>
<td>South West</td>
<td>41,710</td>
<td>17,560</td>
<td>1,920</td>
<td>2,080</td>
<td>330</td>
<td>910</td>
<td>1,090</td>
<td>910</td>
<td>950</td>
</tr>
<tr>
<td>Wales</td>
<td>17,020</td>
<td>6,780</td>
<td>1,400</td>
<td>910</td>
<td>350</td>
<td>260</td>
<td>400</td>
<td>320</td>
<td>180</td>
</tr>
<tr>
<td>Scotland</td>
<td>52,460</td>
<td>23,140</td>
<td>3,460</td>
<td>1,730</td>
<td>1,180</td>
<td>1,690</td>
<td>1,070</td>
<td>1,160</td>
<td>770</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>19,610</td>
<td>8,900</td>
<td>520</td>
<td>1,810</td>
<td>40</td>
<td>170</td>
<td>2,560</td>
<td>210</td>
<td>110</td>
</tr>
<tr>
<td>Overseas Residents</td>
<td>9,590</td>
<td>1,230</td>
<td>350</td>
<td>540</td>
<td>10</td>
<td>1,140</td>
<td>300</td>
<td>800</td>
<td>520</td>
</tr>
</tbody>
</table>

**Notes:**
1. Numbers are rounded to the nearest 10.
2. Total may not sum due to rounding.
3. Numbers are based on 100% data from the National Insurance Recording System (NIRS).
4. Government Office Region is assigned by matching postcodes against the relevant postcode directory.
5. Government Office Region counts are based on the most recently recorded address of the NINO recipient.
6. “-” denotes nil or negligible.
7. Overseas Residents—Foreign nationals who have registered for a NINO but reside abroad.
8. 2,260 cases are recorded as from countries which have dissolved (USSR, Czechoslovakia, Yugoslavia). These have been allocated pro-rata to their successor countries.
9. 450 cases had no country of origin recorded and are labelled “Not Specified”.

**Source:** 100% sample at 14 May 2007 from the National Insurance Recording System (NIRS).
Figure 2.6

GEOGRAPHICAL DISTRIBUTION OF EMPLOYERS OF WORKERS REGISTERED ON THE WORKER REGISTRATION SCHEME, MAY 2004 TO JUNE 2007

Source: Accession monitoring report
www.ind.homeoffice.gov.uk/aboutus/reports/accession_monitoring_report

15. Information on the regional distribution of employers of workers from the A8 countries, based on the Worker Registration Scheme, show a different pattern to that of all migrants (Figure 2.6). Between May 2004 and June 2007, Anglia had the greatest number of workers registering with employers in the area (15% of the total). This was followed by the Midlands and London (13 and 12%, respectively).
Births to migrants

16. The concentration of migrants in the 25 to 44 age group along with the cumulative growth in numbers born abroad have contributed to an increased proportion of births where one or more parents was born abroad. The figure for England and Wales was 21% in 2000 and rose to 27% in 2005 (Figure 2.7). The latest figure, for 2006, is 28%. By comparison, the figure in 1975 was 15%.

Figure 2.7

PERCENT OF LIVE BIRTHS TO A FOREIGN BORN MOTHER OR FATHER, ENGLAND AND WALES, 1975–2005

17. One of the factors contributing to the numbers of births to foreign mothers is the different levels of fertility between UK and foreign born. In both 2002 and 2008, the fertility rate for foreign born was 0.8 higher than for UK born (Table 2.7). Both groups experienced an increase in fertility rates between the two years.

Table 2.7

ESTIMATED TOTAL FERTILITY RATES BY MOTHER’S COUNTRY OF BIRTH, ENGLAND AND WALES

<table>
<thead>
<tr>
<th>Place of birth of mother</th>
<th>Year</th>
<th>2002</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>All mothers</td>
<td></td>
<td>1.6</td>
<td>1.8</td>
</tr>
<tr>
<td>UK born</td>
<td></td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Foreign born</td>
<td></td>
<td>2.3</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Uses LFS populations by country of birth and birth registration data for E&W, 2002–06.

Source: Office for National Statistics.

Section 3 Population Projections and Migration

1. National population projections are based on existing population estimates and trend-based assumptions about fertility, mortality and migration. Currently available figures are 2004-based and were prepared by the Government Actuary’s Department. They include both principal projections, using a set of central assumptions, and variants that make use of a range of high and low assumptions. New 2006-based projections
will be published by ONS on 23 October. The assumptions to be used in producing these were published on 27 September.\(^1\)

2. For the 2006-based projections, the new long-term assumption for net migration to the United Kingdom is a net inflow of 190,000 each year, compared with 145,000 a year in the previous projections (Table 3.1). It must be stressed that these assumptions about future migration, along with others in this section, are based on past trends and are not forecasts. The increase in the assumption is partly due to taking account of data for two new years (2004 and 2005) where net migration to the UK has been at record levels, and partly because of the impact of methodological changes following recent announcements of improvements to the estimation of international migration.\(^2\) These methodological improvements also affect the assumed distribution of international migration between the countries of the UK.

### Table 3.1

<table>
<thead>
<tr>
<th></th>
<th>United Kingdom</th>
<th>England</th>
<th>Wales</th>
<th>Scotland</th>
<th>Northern Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fertility</strong>—Long term average number of children per woman</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-based</td>
<td>1.84</td>
<td>1.85</td>
<td>1.85</td>
<td>1.65</td>
<td>1.95</td>
</tr>
<tr>
<td>2004-based</td>
<td>1.74</td>
<td>1.75</td>
<td>1.75</td>
<td>1.60</td>
<td>1.80</td>
</tr>
<tr>
<td><strong>Mortality</strong>—Expectation of life in 2031*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males 2006-based</td>
<td>82.7(^\text{p})</td>
<td>83.0(^\text{p})</td>
<td>82.5(^\text{p})</td>
<td>80.5(^\text{p})</td>
<td>82.3(^\text{p})</td>
</tr>
<tr>
<td>2004-based</td>
<td>81.4</td>
<td>81.6</td>
<td>81.1</td>
<td>79.2</td>
<td>81.0</td>
</tr>
<tr>
<td>Females 2006-based</td>
<td>86.2(^\text{p})</td>
<td>86.4(^\text{p})</td>
<td>86.0(^\text{p})</td>
<td>84.9(^\text{p})</td>
<td>86.1(^\text{p})</td>
</tr>
<tr>
<td>2004-based</td>
<td>85.0</td>
<td>85.2</td>
<td>84.8</td>
<td>84.7</td>
<td>84.9</td>
</tr>
<tr>
<td><strong>Net migration</strong>—Annual long-term assumptions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-based</td>
<td>+190,000</td>
<td>+171,500</td>
<td>+9,500</td>
<td>+8,500</td>
<td>+500</td>
</tr>
<tr>
<td>2004-based</td>
<td>+145,000</td>
<td>+130,000</td>
<td>+11,500</td>
<td>+4,000</td>
<td>−500</td>
</tr>
</tbody>
</table>

* Expectations of life for 25 years ahead given as specimen year. Note these are period expectations of life based on the mortality rates assumed for the year 2031 and do not take account of the continuing improvement in mortality projected beyond 2031. Cohort life expectancies in the 2006-based projections, allowing for the assumed further mortality improvement, will be about 8.7 years higher for a boy born in the UK in 2031 and about 8.0 years higher for a girl born in 2031 than the period figures shown in the table.

** Net migration includes international migration and cross-border migration between the countries of the UK.

P Provisional.

3. The long-term assumption of average family size has been raised for the UK to 1.84 children per woman, an increase of 0.10 compared with the 2004-based projections. The long-term UK fertility assumption in official national projections has been lowered on a number of occasions since the 1960s baby boom,\(^3\) but this is the first time it has been increased during that period. This follows several years of increasing fertility rates in all four countries of the UK.

4. The 2004-based projections indicated that the population of the UK is expected to continue to grow, driven by positive natural change (more births than deaths) and net in-migration. However, the key demographic challenge for the UK in the years ahead will be population ageing. Based on these projections, the proportion of the population that is aged over 65 is expected to rise from 16% in 2007 to 21% in 2027, and then to 26% by 2057,\(^4\) due to continued increases in life expectancy and the ageing of the post-WW2 baby boomers.

5. A simple measure of demographic pressures associated with population ageing is provided by the dependency ratio. This calculates the ratio of dependents (children and those of state pension age) to those of working age. Under the Government Actuary’s Department’s 2004-based principal population projections,

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\(^2\) See http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14834


\(^4\) The figures in this section are based on the Government Actuary’s Department’s 2004-based Principal projections, available at http://www.gad.gov.uk/Population/index.asp?v=Principal&y=2004&subYear=Continue
this dependency ratio rose from 61% in 2007 to 63% in 2027, and then to 74% by 2057. These figures assumed positive long-term net migration to the UK of 145,000 per annum.

6. If it is instead assumed that there is zero net migration, the dependency ratio would be slightly higher at 66% in 2027, but would rise to 83% by 2057. This is because migrants into the UK are predominantly adults of young working age.

7. In addition, the published dependency ratios from the new projections will take account of the Pensions Bill 2007, which has recently become law. This will raise the state pension age, in three stages, to 68 for both sexes by 2046. However, since work on the new projections is not complete, the current submission is based on the 2004-based projections.

8. As part of their 2004-based work, GAD also produced a range of other variant scenarios using different combinations of assumptions about fertility, life expectancy and net migration, which can be compared to see how each affects the resulting dependency ratios. These assumptions, along with those dependency ratios, are shown in Table 3.2.

Table 3.2

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Long-Term Net Migrations (000's pa)</th>
<th>Dependency Ratio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2017</td>
</tr>
<tr>
<td>Principal Scenario</td>
<td>Principal</td>
<td>Principal</td>
</tr>
<tr>
<td>Zero Migration</td>
<td>Principal</td>
<td>Principal</td>
</tr>
<tr>
<td>High Medium-Term Dependency</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Low Medium-Term Dependency</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Young</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Low Migration</td>
<td>Principal</td>
<td>Principal</td>
</tr>
<tr>
<td>High Migration</td>
<td>Principal</td>
<td>Principal</td>
</tr>
<tr>
<td>High Fertility</td>
<td>High</td>
<td>Principal</td>
</tr>
<tr>
<td>High Population</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

9. For example, the Low Migration and High Migration scenarios demonstrate the effects of varying the migration assumption whilst holding fertility and life expectancy at their central levels. In both cases, the resulting dependency ratio is little different to that produced by the Principal scenario. Combining higher fertility rates with central life expectancy and migration has a slightly bigger impact on dependency ratios in the long term.

How confident can we be in assumptions about migration?

10. Migration is the most difficult component of population change to estimate accurately. It is also by far the most difficult component to forecast as migration flows are influenced by a range of socio-economic and political circumstances in sending and receiving countries, many of which will be difficult or even impossible to predict.

11. One recent analysis of the accuracy of UK national population projections found that the mean absolute error in assumptions of net migration to the UK has been around 60,000 10 years ahead and 100,000 after twenty years. A separate analysis suggests that the accuracy of UK migration forecasts has been around the European average.

12. However, while these total migration errors are sizeable, their impact is spread across a range of ages. Many users of population projections are, of course, more concerned about the size of the population in specific age groups than with the size of the total population. And here, the analysis of past UK projections showed that, in the short to medium-term, projections of the working age population (where migration is the main uncertainty) are far more accurate than those for the very youngest and oldest age groups. For example, errors in projections of the population aged 20–64 10 years ahead have averaged around 1 to 2% compared with errors of around 10% for the 0–4 or 85+ age-groups.

5 The figure for 2007 is based on current state pension age (SPA) of 65 for men and 60 for women and the figures for 2027 and 2057 are based on a common SPA of 65 for both sexes. Under the provisions of the Pensions Bill 2007, SPA will be 66 for both sexes by 2027, and 68 for both sexes by 2057. This would decrease the dependency ratios at 2027 and 2057 to 60% and 64% respectively.

6 Shaw C. Fifty years of United Kingdom national population projections: how accurate have they been? Population Trends 128.

7 Keilman N. UK national population projections in perspective: how successful compared to those in other European countries? Population Trends 129.
Section 4 Employment of Immigrants

1. The analysis below draws heavily on the Labour Force Survey (LFS). It should be noted that the LFS figures on the foreign-born population do not match the UN definition of “long-term international migration” in Box 1.1 (see Annex B). They cover the foreign-born household population, irrespective of year of arrival. Also they do not cover certain short-term migrants and those living in communal establishments. One consequence of the latter point is that the number of foreign-born workers in sectors such as construction and agriculture may be under-reported.

In what sectors and occupations are immigrants employed?

2. A significant proportion of foreign-born are working in the public administration, education and health (32%), distribution, hotels and restaurants (21%) and banking, finance and insurance (20%) sectors (Table 4.1). A8 foreign-born are particularly concentrated in the distribution, hotels and restaurants (24%), manufacturing (21%) and construction (14%) sectors.

Table 4.1

PERCENTAGE OF FOREIGN-BORN AND UK-BORN WORKING IN EACH INDUSTRIAL SECTOR, 2006

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>UK-born</th>
<th>A8 foreign-born</th>
<th>Other foreign-born</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fishing</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Energy and water</td>
<td>1</td>
<td>–</td>
<td>*</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13</td>
<td>21</td>
<td>10</td>
</tr>
<tr>
<td>Construction</td>
<td>9</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Distribution, hotels and restaurants</td>
<td>19</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>7</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Banking, finance and insurance</td>
<td>16</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Public admin, education and health</td>
<td>29</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td>Other services</td>
<td>6</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

* Denotes where sample size is too small to report a robust estimate.
– Less than 0.5%.

Totals may not sum due to rounding.

Source: A four-quarterly average is used, LFS Q1 to Q4 2006.
3. A large proportion of the foreign-born (49%) work in higher skilled occupations, while only around 12% work in elementary occupations (Table 4.2). The majority of A8 foreign-born work in elementary occupations (38%), as process, plant and machine operatives (16%) and skilled trade occupations (15%).

Table 4.2
PERCENTAGE OF FOREIGN-BORN AND UK-BORN IN EACH OCCUPATIONAL GROUP, 2006

<table>
<thead>
<tr>
<th>Occupational Group</th>
<th>UK-born %</th>
<th>A8 foreign-born %</th>
<th>Other foreign-born %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and Senior Officials</td>
<td>15</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>13</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td>Associate Professional and Technical</td>
<td>14</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Administrative and Secretarial</td>
<td>12</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Skilled Trades Occupations</td>
<td>12</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Personal Service Occupations</td>
<td>8</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Sales and Customer Service Occupations</td>
<td>8</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Process, Plant and Machine Operatives</td>
<td>8</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>11</td>
<td>38</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

* Denotes where sample size is too small to report a robust estimate.
Totals may not sum due to rounding.

How do immigrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers?

4. The Labour Force Survey shows that both UK and foreign-born employment has risen in the UK over the last 10 years. The UK employment rate rose until 2001 and has remained at around 75% for the last five years. The overall foreign-born employment rate has improved to reach 68%, closing the “UK born/migrant employment rate gap” from 10 percentage points in 1997 to 7 percentage points in 2006 (Figure 4.1). The employment rate of the foreign-born has increased as more migrants appear to be coming to the UK for work-related purposes than in the past. These figures are based on the standard definition of the employment rate (employment as a proportion of the working age population). It is worth noting that employment as a proportion of the total population is higher for the foreign-born than for the UK-born (54% against 48% in the final quarter of 2006), due to the different age profile of migrants.

Figure 4.1
UK AND FOREIGN-BORN EMPLOYMENT RATES, Q2 1997 to Q4 2006

Source: Labour Force Survey.
5. The current foreign-born employment rate of 68% hides a large variation in labour market outcomes for those from different country groups (Figure 4.2).

**Figure 4.2**

MALE AND FEMALE EMPLOYMENT RATES BY COUNTRY OF ORIGIN, Q4 2006

Source: Labour Force Survey.

6. Foreign-born men compare quite well to UK men in employment outcomes, with the exception of those from the Middle East who have an employment rate of 56%, 23 percentage points lower than UK men (79%). Further research is needed to understand the reasons for these differences, but one possibility is that different groups have different reasons for coming to the UK. Certain groups may predominantly come to the UK to seek work. Others may come for non-work reasons, for example due to family considerations, lifestyle factors, or to escape from poverty or instability in their country of origin.

7. Employment outcomes for foreign-born women are worse than those for UK-born women. This is particularly true for Pakistani women (who have an employment rate of 23%, 50 percentage points lower than UK women) and for Bangladeshi women (who have an employment rate of 19%). This difference could arise for a combination of factors, such as English language ability and cultural differences.

8. The approximate 50:50 gender split of the foreign-born UK working age population means that low female employment rates in most migrant groups significantly reduce overall employment rates. For example, the employment rate for Pakistani men is 6 percentage points lower than for UK men, but the female rate is 50 percentage points lower than for UK females, resulting in the overall Pakistani employment rate being 26 percentage points lower than for all UK born.

9. Compared to the UK born employment rate of 76%, foreign-born from Romania and Bulgaria (94%), South Africa (85%), Australia and New Zealand (84%), the A8 countries (81%) and EU15 countries (76%) have higher employment rates than UK born workers.
10. The employment rate of foreign-born is lower than for UK-born at all levels of education, although the size of the gap falls as the level of education rises (Figure 4.3).

**Figure 4.3**

EMPLOYMENT RATES BY LEVEL OF EDUCATION, Q4 2006

Source: Labour Force Survey.

11. The proportion who were economically inactive, in the final quarter of 2006, was 14% of the working age population born in A8 countries and 20% amongst those born in the UK and other EU countries (Figure 4.4). The equivalent figure for all overseas-born was 26%.

**Figure 4.4**

PROPORTION OF WORKING AGE POPULATION\(^8\) THAT ARE ECONOMICALLY INACTIVE, Q4 2006

Source: Labour Force Survey.

\(^8\) Males and females.
12. Overall (Figure 4.5), all foreign-born have a similar self-employment rate (15%) to the UK born (13%). Some migrant groups such as those from Romania and Bulgaria (55%), Pakistan (30%) and the Middle East (24%) have above-average proportions of employed workers in self-employment. A8 foreign-born are notable because the proportion in employment that are self-employed has fallen over the last three years from over 21% in the final quarter of 2004 to about 11% in the same quarter of 2006.

**Figure 4.5**

**PROPORTION OF THOSE IN EMPLOYMENT THAT WERE SELF-EMPLOYED,**

**Q4 2004 TO Q4 2006**

13. Since 2001, average UK-born wage levels have steadily risen while average foreign-born wages have fallen, causing the weekly wage gap to fall from £76 in 2001 to £28 in 2006 (Figure 4.6). This apparent fall in wages amongst foreign-born workers is a composition effect. Over time, the proportion of foreign-born workers from EU15 countries (who tend to be found in well-paid jobs) has fallen, whilst the proportion from other countries (many of whom are found in less well-paid jobs) has risen. In the last three years, the proportion of foreign-born workers from the A8 countries (who typically take low-paid jobs) has increased significantly. Overall, there are now a greater proportion of foreign-born workers in low-paid jobs than five years ago, and so the average wage for foreign-born workers has decreased.

**Figure 4.6**


14. The figures in Figure 4.7 and 4.8 are calculated on a slightly different basis to those presented above, as they are based only for full-time workers. They demonstrate that full-time workers from developed Western economies and the Middle East earn more than their UK-born counterparts. In contrast, those from the A8 countries earn noticeably less than UK-born workers.

15. On average, foreign-born workers in full-time employment have higher skill levels than their UK-born counterparts. This is particularly true for those from the countries on the left-hand side of these figures. These higher average skill levels explain why the foreign-born have higher average wages than the UK-born.

**Figure 4.7**

MEAN WEEKLY WAGE FOR MALES IN FULL TIME EMPLOYMENT BY REGION OF BIRTH, JANUARY TO DECEMBER 2006

**Source:** Labour Force Survey.

**Figure 4.8**

MEAN WEEKLY WAGE FOR FEMALES IN FULL TIME EMPLOYMENT BY REGION OF BIRTH, JANUARY TO DECEMBER 2006

**Source:** Labour Force Survey.

**Employment by occupation, level of qualification and year of arrival**

16. As indicated in the first part of this section, figures that focus on all foreign-born residents in the country cover a wider population group than recent migrants. Tables 4.3 and 4.4 provide an indication of the relationships that exist between year of arrival, occupation, level of qualification and country of birth.
17. As shown in Table 4.3, the proportion of those employed in elementary occupations is higher among the overseas-born (15%) compared with the UK-born (11%), especially among those from EU countries (20%). The difference is greater for those who arrived in the UK within the past five years. For this group, among those from EU countries (other than the UK), 37% were in elementary occupations, compared to 19% for those from outside the EU. The larger percentage for the EU countries is attributable to the high proportion (45%) for those born in the A8 accession countries.

18. There were similarly notable differences for this group of recent immigrants in terms of the proportions employed as “managers and senior officials” and in “professional occupations”. These two broad groups comprised 14% of those born in EU countries other than the UK but just 5% for the A8-born. This compares with 27% for those from outside the EU, 28% for the UK-born in employment and 34% among those from other EU-15 countries.

19. There is a tendency for employment in elementary occupations to be more common among more recent immigrants. This is not a particularly age-related phenomenon. Those under 25 and over 25 showed similar differences in the occupational distribution for the A8-born compared with other migrants.
## The Economic Impact of Immigration: Evidence

### Table 4.3

**People in Employment of Working Age** by Country of Birth, Occupation and Year of Arrival, United Kingdom, 2006

<table>
<thead>
<tr>
<th>Occupation group</th>
<th>Total (thousands)</th>
<th>Country of birth</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (thousands)</td>
<td>UK-born</td>
<td>Overseas-born</td>
</tr>
<tr>
<td></td>
<td>27,132</td>
<td>24,111</td>
<td>3,022</td>
</tr>
<tr>
<td>Total (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Managers and Senior Official</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>13</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Associate Professional and Technical</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Administrative and Secretarial</td>
<td>12</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Skilled Trades Occupations</td>
<td>11</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>Personal Service Occupations</td>
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<tr>
<td>Sales and Customer Service Occupations</td>
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<td>7</td>
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<tr>
<td>Process Plant and Machine Operatives</td>
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<tr>
<td>Elementary Occupations</td>
<td>11</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Year of arrival 1996 and earlier</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total—all occupations (thousands)</td>
<td>1,638</td>
<td>1,183</td>
<td>455</td>
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<tr>
<td>Total—all occupations (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Managers and Senior Official</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Professional occupations</td>
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<td>Associate Professional and Technical</td>
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<td>Administrative and Secretarial</td>
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<tr>
<td>Skilled Trades Occupations</td>
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<tr>
<td>Sales and Customer Service Occupations</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Process Plant and Machine Operatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year of arrival 1997–2001</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total—all occupations (thousands)</td>
<td>528</td>
<td>499</td>
<td>119</td>
</tr>
<tr>
<td>Total—all occupations (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Managers and Senior Official</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional occupations</td>
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<td>-</td>
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<tr>
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<td>Administrative and Secretarial</td>
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<td>Sales and Customer Service Occupations</td>
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</tr>
<tr>
<td>Process Plant and Machine Operatives</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year of arrival 2002–06</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total—all occupations (thousands)</td>
<td>825</td>
<td>487</td>
<td>338</td>
</tr>
<tr>
<td>Total—all occupations (per cent)</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Managers and Senior Official</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Associate Professional and Technical</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Administrative and Secretarial</td>
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</tr>
<tr>
<td>Skilled Trades Occupations</td>
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</tr>
<tr>
<td>Personal Service Occupations</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales and Customer Service Occupations</td>
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</tr>
<tr>
<td>Process Plant and Machine Operatives</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: ONS Annual Population Survey

2. EU-25 countries (including EU-15, A8 countries plus Cyprus and Malta).
3. France, Germany, Italy, Belgium, Netherlands, Luxembourg, Denmark, Ireland, Spain, Portugal, Greece, Austria, Sweden, Finland, UK (not applicable).
4. Hungary, Poland, Czech Republic, Slovakia, Estonia, Latvia, Lithuania and Slovenia.
5. Includes those who did not state their occupation, but percentages are based on totals which exclude this group.
6. Totals for all UK residents by year of arrival not shown as this is only relevant to the overseas-born.
7. Not applicable.

It should also be noted that the country of birth question in the APS (and LFS) gives an undercount because:

- it excludes those who have not been resident in the UK for six months.
- it excludes students in halls who do not have a UK resident parent.
- it excludes people in most other types of communal establishments (e.g. hotels, boarding houses, hostels, mobile home sites).
- it is grossed to population estimates that only include migrant staying for 12 months or more.
- microdata is only grossed to population estimates consistent with those published in spring 2003 which are significantly lower than the lastest population estimates.
Qualifications

20. Table 4.4 shows the proportion of people employed with a degree or equivalent qualification in 2006 was higher among the overseas-born (27%) than the UK-born (22%). This was almost entirely due to the relatively high proportion among those born outside the EU (29%) and those from the EU-15 countries (28%). For the A8-born the proportion was only 9%. Among more recent immigrants (those who came to the UK in the past five years), all these proportions were lower, including those born in A8 countries (7%). The proportions of those employed with no qualification were also notably higher for this group of recent immigrants—18% for those born in A8 countries, 15% for other EU countries overall, 9% for the EU-15 and 10% for those from outside the EU. These compare with 9% for the UK-born. Again, as for the occupation distributions, these differences in qualification profiles do not appear to be caused by any marked age-related effect, comparing the distributions for those under 25 and those over 25.

Occupations and qualifications

21. Differences in educational attainment are likely to explain some of the differences in occupational distributions discussed above, but not all. For example, recent immigrants with degrees or equivalent qualifications are less likely than their UK-born counterparts to be employed in managerial and professional occupations (50% compared with 62% respectively) and more likely to be employed in elementary occupations (9% compared with 1%).
### Table 4.4

**PEOPLE IN EMPLOYMENT OF WORKING AGE\(^1\) BY COUNTRY OF BIRTH, HIGHEST QUALIFICATION AND YEAR OF ARRIVAL. UNITED KINGDOM, 2006**

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>Total (thousands)(^5)</th>
<th>Total (per cent)</th>
<th>Born outside EU(^2)</th>
<th>Born in EU(^3)</th>
<th>Born in EU-15(^4)</th>
<th>Born in A8 countries(^6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Born in A8 countries</td>
<td>27,132</td>
<td>100</td>
<td>2,099</td>
<td>922</td>
<td>597</td>
<td>275</td>
</tr>
<tr>
<td>Born outside EU</td>
<td>24,111</td>
<td>100</td>
<td>1,833</td>
<td>455</td>
<td>391</td>
<td>17</td>
</tr>
<tr>
<td>UK-born</td>
<td>3,022</td>
<td>100</td>
<td>119</td>
<td>92</td>
<td>82</td>
<td>27</td>
</tr>
<tr>
<td>Overseas-born</td>
<td>22</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Highest qualification

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>Total (thousands)(^5)</th>
<th>Total (per cent)</th>
<th>Born outside EU(^2)</th>
<th>Born in EU(^3)</th>
<th>Born in EU-15(^4)</th>
<th>Born in A8 countries(^6)</th>
</tr>
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<td>Born in A8 countries</td>
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<td>2,099</td>
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<td>100</td>
<td>119</td>
<td>92</td>
<td>82</td>
<td>27</td>
</tr>
<tr>
<td>Overseas-born</td>
<td>22</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Year of arrival 1996 and earlier

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>Total (thousands)(^5)</th>
<th>Total (per cent)</th>
<th>Born outside EU(^2)</th>
<th>Born in EU(^3)</th>
<th>Born in EU-15(^4)</th>
<th>Born in A8 countries(^6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Born in A8 countries</td>
<td>27,132</td>
<td>100</td>
<td>2,099</td>
<td>922</td>
<td>597</td>
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</tr>
<tr>
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<td>1,833</td>
<td>455</td>
<td>391</td>
<td>17</td>
</tr>
<tr>
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<td>100</td>
<td>119</td>
<td>92</td>
<td>82</td>
<td>27</td>
</tr>
<tr>
<td>Overseas-born</td>
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<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Year of arrival 1997–2001

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>Total (thousands)(^5)</th>
<th>Total (per cent)</th>
<th>Born outside EU(^2)</th>
<th>Born in EU(^3)</th>
<th>Born in EU-15(^4)</th>
<th>Born in A8 countries(^6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Born in A8 countries</td>
<td>27,132</td>
<td>100</td>
<td>2,099</td>
<td>922</td>
<td>597</td>
<td>275</td>
</tr>
<tr>
<td>Born outside EU</td>
<td>24,111</td>
<td>100</td>
<td>1,833</td>
<td>455</td>
<td>391</td>
<td>17</td>
</tr>
<tr>
<td>UK-born</td>
<td>3,022</td>
<td>100</td>
<td>119</td>
<td>92</td>
<td>82</td>
<td>27</td>
</tr>
<tr>
<td>Overseas-born</td>
<td>22</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Year of arrival 2002–06

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>Total (thousands)(^5)</th>
<th>Total (per cent)</th>
<th>Born outside EU(^2)</th>
<th>Born in EU(^3)</th>
<th>Born in EU-15(^4)</th>
<th>Born in A8 countries(^6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Born in A8 countries</td>
<td>27,132</td>
<td>100</td>
<td>2,099</td>
<td>922</td>
<td>597</td>
<td>275</td>
</tr>
<tr>
<td>Born outside EU</td>
<td>24,111</td>
<td>100</td>
<td>1,833</td>
<td>455</td>
<td>391</td>
<td>17</td>
</tr>
<tr>
<td>UK-born</td>
<td>3,022</td>
<td>100</td>
<td>119</td>
<td>92</td>
<td>82</td>
<td>27</td>
</tr>
<tr>
<td>Overseas-born</td>
<td>22</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ONS Annual Population Survey

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1 Men aged 16–64 and women aged 16–59.
2 EU-25 countries (including EU-15, A8 countries plus Cyprus and Malta).
3 France, Germany, Italy, Belgium, Netherlands, Luxembourg, Denmark, Ireland, Spain, Portugal, Greece, Austria, Sweden, Finland, UK (not applicable).
4 Hungary, Poland, Czech Republic, Slovakia, Estonia, Latvia, Lithuania and Slovenia.
5 Includes those who did not state their occupation, but percentages are based on totals which exclude this group.
6 Totals for all UK residents by year of arrival not shown as this is only relevant to the overseas-born.

It should also be noted that the country of birth question in the APS (and LFS) gives an undercount because:
- it excludes those who have not been resident in the UK for six months.
- it excludes students in halls who do not have a UK resident parent.
- it excludes people in most other types of communal establishments (eg hotels, boarding houses, hostels, mobile home sites).
- it is grossed to population estimates that only include migrant staying for 12 months or more.
- microdata is only grossed to population estimates consistent with those published in spring 2003 which are significantly lower than the lastest population estimates.
Labour market status of migrants

22. An analysis of the labour market status of migrants compared with the UK-born population recently appeared in an article published on the National Statistics website: “Labour market summary for the household population by country of birth” (See http://www.statistics.gov.uk/cci/article.asp?ID=1736&Pos=1&ColRank=1&Rank=1).

23. This analysis of LFS data focused on all the foreign-born population covered by the survey, not just recent immigrants, but it picked out some key developments over the four-year period from 2002 to 2006. In summary:

— Over the four years to April–June 2006, the overseas-born population of working age increased by 947,000 (26%) while the UK-born population of working age increased by 44,000 (0.1%).

— The A8 group accounts for just 7% of the overseas-born, but showed a much larger percentage increase than other groups over the past four years. There was an increase of over 400%, from nearly 60,000 to around 310,000, for this group.

— The employment level for the overseas-born population increased by 740,000 over the same four-year period, to Spring 2006, while the employment level for the UK-born population barely changed. Most of this increase (around 510,000) was amongst those born outside the EU. However the remaining increase of some 230,000 for those born in EU countries, was mostly explained by a very steep rise in employment for the A8-born sub-group of over 210,000, from nearly 40,000 to over 250,000 (an increase of more than 600%).

— In 2006, those born in the A8 countries had the highest employment rate (82% of those of working age). This represented a substantial increase from around 60% in 2002 and 2003. By comparison, employment rates in 2006 were 75% for both the UK-born and those from other EU countries and 64% among those of working age from the rest of the world.

— The unemployment rate in 2006 among the overseas-born was nearly 8% among those of working age who were economically active. The rate for those from EU countries was similar to UK-born at about 5%, compared with 9% for those from the rest of the world.

— The proportion who were economically inactive, in 2006, was 12% of the working age population born in A8 countries, 21% for both UK and other EU countries and 29% for the rest of the world. (27% for all the overseas-born in total).

Benefit claims

24. National Insurance Number (NINo) allocation data provide information on the inflows of those overseas nationals who come to the UK in a given year and make a claim for benefits within 6 months of registration. In 2005–06 the level of benefit claims was low with only 16,000 foreign nationals claiming a benefit within six months of registration. This is despite the overall total of those arriving in 2005–06 and registering for a NINO rising to 562,000 from 294,100 in 2001–02. The largest number claimed Job Seekers’ Allowance (JSA), but the level was still very low.

Table 4.5

<table>
<thead>
<tr>
<th>Continent of Origin</th>
<th>2005–06 Arrivals</th>
<th>Incapacity Benefit/Severe Disability Allowance</th>
<th>Income Support</th>
<th>Job Seekers’ Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Rate (Per 1,000)</td>
<td>Number</td>
<td>Rate (Per 1,000)</td>
</tr>
<tr>
<td>All</td>
<td>562,200</td>
<td>1,400</td>
<td>3</td>
<td>1,300</td>
</tr>
<tr>
<td>Accession</td>
<td>262,400</td>
<td>300</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Africa</td>
<td>50,700</td>
<td>300</td>
<td>5</td>
<td>600</td>
</tr>
<tr>
<td>Asia and Middle</td>
<td>105,300</td>
<td>200</td>
<td>2</td>
<td>300</td>
</tr>
<tr>
<td>East</td>
<td>26,900</td>
<td>–</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Australasia and Oceania</td>
<td>26,900</td>
<td>–</td>
<td>1</td>
<td>–</td>
</tr>
</tbody>
</table>
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

<table>
<thead>
<tr>
<th>Continent of Origin</th>
<th>2005–06 Arrivals</th>
<th>Incapacity Benefit/Severe Disability Allowance</th>
<th>Income Support</th>
<th>Job Seekers’ Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Rate (Per 1,000)</td>
<td>Number</td>
<td>Rate (Per 1,000)</td>
</tr>
<tr>
<td>European Union</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(excluding accession states)</td>
<td>81,400</td>
<td>400</td>
<td>5</td>
<td>300</td>
</tr>
<tr>
<td>Other</td>
<td>1,300</td>
<td>100</td>
<td>66</td>
<td>–</td>
</tr>
<tr>
<td>Other European</td>
<td>11,400</td>
<td>100</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td>The Americas</td>
<td>22,700</td>
<td>–</td>
<td>1</td>
<td>–</td>
</tr>
</tbody>
</table>

Source: 100% extract from National Insurance Recording System linked with DWP benefit data at 14 May 2007.

25. The proportion of Accession state nationals claiming a benefit within six months of registering for a NINo is one of the lowest next to those from Australasia. Those overseas nationals from the EU15, Africa and other countries had the highest claimant rates.

SECTION 5 HOW CAN DATA ON IMMIGRATION BE IMPROVED?

Context

1. It is increasingly important to have high quality statistics on migration and the population, for policy development and for planning and providing public services—it is the largest component of population change. Achieving this aim is challenging in the context of increasing globalisation, accompanied by complex individual lifestyles and dramatic changes in patterns of migration to and from the UK over the last decade.

2. In a period of rapid change, population migration (that is individuals changing their place of residence) can have a profound effect on economic and social policy and service delivery. In these circumstances relevant, accurate and timely statistics are particularly necessary—to support the development and monitoring of new and existing policies, planning and resource delivery and to describe the social change that is taking place.

3. In May 2006, the Inter-Departmental Task Force on international migration statistics was set up by the National Statistician to recommend timely improvements that could be made to estimates of migration and migrant populations in the United Kingdom, both nationally and at local level. The Task Force report was published in December 2006.10

The challenges in making accurate estimates

4. International migration can often be a very complex process (see example diagram below). It can involve multiple decisions, made at different stages in the process of changing residence, both by the individuals concerned and by others (eg employers and those involved in immigration control). This has made it difficult to adopt a single measurement tool that meets all needs.

Figure 5.1

TIMELINE SHOWING THE RELATION BETWEEN INFORMATION SOURCES AND KEY MIGRATION EVENTS

9 Accession States are Poland, Slovakia, Slovenia, Hungary, Czech Republic, Estonia, Latvia, Lithuania, Cyprus, Malta, Romania and Bulgaria.

10 See http://www.statistics.gov.uk/about/data/methodology/specific/population/future/imps/updates/default.asp
5. The Task Force Report indicated that tracking changes in the pattern of migration in a timely fashion (particularly those resulting from globalisation and EU expansion) has proved difficult using existing sources, methods and definitions because:

- no systematic register exists of all people entering or leaving the country;
- population and migration statistics are currently based solely on the UN definition of a long-term migrant (a person who migrates for over 12 months, see Box 1);
- limited data are available to separately identify short-term migrants (3-12 months) or seasonal workers and even fewer statistics are routinely published about these groups;
- information on intended length of stay collected at ports (eg on the International Passenger Survey) may differ from that obtained in-country;
- administrative registers (eg NHS patient registers) only collect residence information on migrants once they have registered (by which time they may have moved address several times). No information on intended stay is recorded and actual duration in the country is not well documented. These factors make it difficult to estimate geographic distributions of international migrants or to link length of stay to employment patterns;
- most administrative sources that identify new arrivals in the country (eg Worker Registration Scheme) or record place of residence for all those registered (eg NHS and NI registration), have little or no direct information on emigration; and
- at present, the only reliable source of information on emigration is the International Passenger Survey. The number of emigrants interviewed in this survey each year is relatively small.

6. The exclusion of short term migrants from these figures has, additionally, raised concerns about the relevance of the current range of available population statistics. The numbers of short term migrants present at any time impacts significantly on society and the economy.

7. The report concluded that:

- there is no quick fix;
- there must be a continuous programme of improvement to meet changing needs; and
- improvements require central and local government, devolved administrations and other partners to work together.

8. It identified an aspiration “to move to a situation where we have timely, accurate estimates of the number of people coming into, going out of and present in the country for different durations and reasons (short and long term residence, seeking refuge, study, etc). Sufficient detail (eg geographic breakdowns) would be available to meet key requirements for population and migration statistics. This would be accompanied by the capacity to interpret trends and anticipate how changes and new uses will impact on the requirement for statistics”.

Recommendations of the Task Force

Recommendation A

Improve information about migrants as they enter or leave the country:

- Establish a port survey to capture an increased sample of migrants, especially emigrants. Bring forward key elements of the e-Borders project, including passport scanning. Improvements to statistics could be delivered in three to five years.
- Provide more data on controlled migrants from landing cards, in particular, duration of stay and destination in the UK. Link data to subsequent information about the migrant. A sample of all travellers would need to complete a landing card on arrival in the UK.
- Collect migration-related information from the points-based information system being developed to manage the flow of migrants coming to the UK to work or study.

Recommendation B

Improve information about migrants living in this country:

- Survey people living in communal establishments, who are not currently covered by ONS household surveys. Make more use of information on migrants collected by local authorities, employers or agencies providing work for migrants.
— Include in the 2011 Census questions that identify short-term and long-term migrants.
— ONS and devolved administrations should have access to timely administrative information that potentially identifies migrants.

Recommendation C

Link official data sources to relate migrants’ intentions at entry to the UK to subsequent events, such as employment, having a child and when they leave the country:
— Explore the potential for using a current survey, the Work and Pensions Longitudinal Study, to provide information on patterns of employment, children and benefits among migrants.
— ONS and the devolved administrations should continue to have access to the population statistics items, available on individual level health registers, that are needed to estimate migration.
— Access should be provided to individual level School Census data for statistical purposes, to allow linking with other sources so as to improve the statistics on migrants and their families.

Recommendation D

Improve key indicators of migrant numbers and trends:
— Improve the use of statistical and demographic models to enhance migration and population estimates.
— Convene an expert committee on migration statistics reporting to the National Statistician to provide an up to date interpretation of current UK migration statistics.

Recommendation E

Publish all statistics collected across government on migration and migrants in a single UK-wide report:
— Provide a more coherent picture than is available from the wide range of disparate information currently available.
— The National Statistics Centre for Demography, part of ONS, should publish an Annual Report on Migration Statistics.

What improvements are already being put in place?

9. The Government has begun to take action on a number of fronts to improve the range and quality of statistics about international migration.

OFFICE FOR NATIONAL STATISTICS

10. ONS is undertaking a substantial and long-term programme of work to improve population statistics. The aim of this work is to improve the quality of both migration and other population statistics so as to minimise the risk of divergence between the 2011 Census population estimates and those based on the 2001 Census. However, recognising that differences between two sets of estimates are inevitable, a key part of the aim of the improvement work is also to provide a better understanding of the differences that remain.

11. This work has highlighted several improvements to methodology that can be made immediately. These will principally impact on the distribution of the national population to local areas through making improvements to the distribution of international migrants. Five strands to the improvements to migration estimates were implemented on 22 August 2007:
— Combining information from the Labour Force Survey (LFS) and the International Passenger Survey (IPS) to improve the regional distribution of national international in-migration estimates.
— Replacing existing intermediate geographies with one that produces more robust estimates.
— Improving the way international out-migrant estimates are distributed between local authorities in each region of England and in Wales—by distributing IPS figures to local areas using new factors that reflect propensity to migrate.
— Improving the basis for making assumptions about the proportion of people who will not realise their original intentions at the time of travel, in terms of their expected length of stay in the destination country—these are known as migrant switchers and visitor switchers.

— Improving the method for estimating the age distribution of international migrants to and from local authorities in England and Wales.

12. These improved methods were incorporated in the first release of mid-2006 population estimates and in revisions to published estimates for mid-2002 to mid-2005.11

13. The improved methods being implemented in 2007 relate to the usually resident population of each area and the international migration component of these figures. For this purpose, the United Nations recommended definition of a long-term international migrant is used (a person who moves to a country other than that of his or her usual residence for a period of at least a year). The estimates do not take account of people moving for less than a year.

14. ONS is currently developing estimates of the numbers of short term migrants coming into, going out of and present in the country each year. It is planned to produce estimates at a national level in October 2007, for the years to mid-2004 and mid-2005. These will also include estimates of average length of stay. Methods for producing short-term migration estimates at sub-national levels are being researched.

15. For the longer-term, ONS is also looking at the feasibility of producing population estimates on alternative bases, using information obtained from questions being developed for use in the 2011 Census and continuous population surveys.

16. ONS development work is focussed on making improvements in data collection and in the statistical methods used to combine the information that exists on migrants from across government. Recent development work to improve data collection and collation is listed below:

— The size of the sample of international out-migrants in the IPS was increased from January 2007.

— New questions were included in the IPS from 2004 to help estimate how many people change their original intention on length of stay.

— Statistical requirements have been fed into the Home Office electronic borders (e-Borders) programme to ensure that benefits become available as the programme is rolled out.

— Requirements for collecting better information about migrants have fed into the development of the new enlarged household survey, starting in 2008, and into the 2011 Census.

— ONS is currently conducting a review of port surveys and will report its findings in due course.

— Recent developments on ONS independence and the Statistics and Registration Services Act have led to the establishment of an Administrative Data Strategic Development (ADSD) Project within ONS to ensure improved access to administrative data and development of record linkage methods.

17. A review of the potential use of administrative sources in the estimation of population statistics. This paper compares estimates of international migration at local authority district level available from three administrative data sources (the Worker Registration Scheme, National Insurance Number allocations, and recording of new registrations with NHS General Practitioners). Comparisons are also made with ONS estimates. It concludes that, for the majority of local areas, patterns are similar. However in some areas there are large differences between sources. Among the most important reasons for these differences are that different populations are covered, that inclusion in each source is based on different lengths of stay in the country and that registration is not compulsory on some of the systems.

**HOME OFFICE**

18. The Border and Immigration Agency (BIA) is reviewing what statistics are produced and published and the frequency of publication. This review, following up a National Statistics Quality Review (NSQR)12 was signalled by the Home Secretary in the House of Commons on 9 July 2007.

19. The review will examine the current scope, level of detail and frequency of BIA’s published statistics on control of immigration—with a view to more balanced representation of the Agency’s operations and responsibilities.


20. Good quality and timely data within BIA is essential for both operational purposes and longer term planning purposes. Thus as part of the Home Office reform plan that deals with data quality (including its specification of a minimum quality needed for any published statistics), BIA is striving to improve the quality of its operational data.

DEPARTMENT FOR WORK AND PENSIONS

21. The Information Directorate (IFD) within DWP publish annual National Statistics on overseas workers allocated a National Insurance number (NINo) by Jobcentre Plus. Complete NINo-based data are sourced from the National Insurance Register (NIRS) and tabulated by year of arrival and registration, continent/country of origin, region of residence, gender, age band, and subsequent benefit claims. Data are held at individual level with 100% coverage and are particularly valuable as a local area indicator (data are published at Parliamentary Constituency and Local Authority District level) and for longitudinal analysis.

22. IFD also hold a range of other information that has been linked, using NINo, to other datasets produced by IFD. One of these data sets, the Lifetime Labour Market Database (L2) is a 1% sample of NIRS providing a comprehensive set of information on NI contributions, tax records, basic pension qualifying years, from which to build up a picture of migrant workers activity and employment patterns. Migrant data has also been linked to the Work and Pensions Longitudinal Study (WPLS), produced by IFD, which covers all benefit and employment spells (employment is based on HMRC P45/46 data).

23. IFD now receive quarterly data on migrant worker NINo registrations. Subject to successful completion of ongoing work on automation and quality assurance, IFD aim to release quarterly data from November 2007. Current tabulations include numbers claiming benefit within six months of registration/arrival and, as many are not entitled to claim for the first 12 months, this has limited information value. The possibility of providing information for longer time lapse periods than six months is currently being investigated.

24. Work to track cohorts of migrants provides an upper bound on the numbers that may have left the country. Some tracking work has been undertaken using 1% NIRS data and, separately, the Work and Pensions Longitudinal Study (WPLS). The NIRS data is a rich source of information enabling a picture of economic activity to be built up based on contribution data. The WPLS is more timely but a less rich source of information and, unlike the NIRS data, has the advantage of not being sample based. Until further validation, and broader quality assurance work on the employment element of WPLS employment data is completed, the 1% NIRS data is the preferred source of employment information. The intention is to publish preliminary results of this work in late 2007/early 2008.

25. DWP has commissioned work from Leicester University and the London School of Economics to use the 1% NIRS data to look at economic activity of migrant workers. The first element of this work is due to report by the end of the calendar year.

26. DWP are considering the following forward work Programme:

(i) **Possible work that could be undertaken with existing data within a two year period**

27. **Alignment with International definition of migrant**—The International definition of a migrant is based on presence in the country for over a year. DWP data does not currently distinguish between “short term” migrants and the standard International definition. We could obtain a lower bound, for various sub-categories, of long term (over a year) migrants by identifying those for whom we have benefit or employment data at least a year after arrival/registration. This would only provide a lower bound to on-flows but would nevertheless aid international comparisons.

28. **Time series**—Quarterly information is available from April 2007 on the number of NINos JobCentre Plus issued. This would enable work to be undertaken on seasonable variation by, for example Local Authority Areas.

29. **Investigation of patterns of movement over time between LA**—Data is stored which would potentially enable identification of, for example, where a person who registered for a NINo in 2002–03 lived in 2006–07 and also, where they lived in 2005–06 and 2004–05 as well. The quality of this information is unknown but could be investigated.
(ii) Potential for further work within a five year period

30. The quality of the information that would be accessed for the following strands of work has not been assessed. Substantive exploratory work would therefore be required to determine if the strands warranted detailed work.

31. Extension of the existing preliminary analysis to include New Tax Credit. The exploratory work to track the work and benefit patterns for migrants has been undertaken by matching migrant data to 1% NIRS data and, separately, the Work and Pensions Longitudinal Study (WPLS). Potentially it would be relatively simple to update this work using more timely data. In addition, given some development work, the matching could be extended to include New Tax Credits and HMRC self-assessed information. The New Tax data is currently being assessed but is unlikely to be integrated within the WPLS within the next two years.

32. Links with non-WPLS data to identify family composition information—Links with the NINo migrant worker data, if appropriate legalities around data sharing could be satisfactorily resolved, to CSA data, child benefit data and housing benefit information might yield information on family composition of longer term migrants. This could then form a valuable input to population projections as well as take-up education, health facilities. Links to 100% NIRS data would also be possible if it was practical to overcome the current funding and resource issues around 100% NIRS data.

33. Links to survey data—there a number of surveys which, if consent and wider legal issues around data sharing could be resolved, could be linked to the NINo data to provide a rich vein of information on migrants. These include surveys like the Family Resource survey, the Labour Force Survey, the International Passenger Survey etc. There is a possibility that the “Research and Statistics” exemption could be, for example, applied by ONS.

Conclusion

34. A report will be published by ONS setting out progress and future plans for taking forward the recommendations of the Inter-departmental Task Force into international migration statistics. This will provide greater detail on work planned over the next two to five years.

Annex A

How Immigration is Reflected in the National Accounts

1. The National Accounts provide a systematic statistical framework for summarising and understanding economic events and the wealth of an economy, building on its various components. This section explains how immigration and related phenomena are reflected in the UK National Accounts and what are the main measurement challenges.

2. Gross Domestic Product (GDP) is the headline summary indicator of economic activity in the UK. There are three approaches to producing one measure of GDP, namely the production, income and expenditure approaches.

(1) The production approach

3. The production approach measures the flow of goods and services that are produced in the UK economy. Estimates are based on business surveys that capture output and purchases of goods and services used as intermediate consumption, valued whenever possible at market prices. In principle, migration should not pose specific problems to the direct measurement of output as business surveys gathering data on outputs and inputs should capture the activity of all demographic groups, including migrants. The output of both legal and illegal immigrants working on legal activities is within the scope of business inquiries. For example, if they are working for a company in the catering sector their output will contribute to the turnover and employment figures provided by the caterer to ONS. Furthermore, the National Accounts are meant to capture all economic transactions (monetary or not) between consenting parties, independently of their legality.

4. Adjustments are implemented to correct biases induced by some illegal activities such as smuggling using HMRC intelligence sources. ONS and other countries have undertaken research to provide illustrative estimates of illegal activity. ONS reports that illegal activity could amount to 1% of GDP in the UK. However, these estimates are not sufficiently developed to be incorporated into the National Accounts in full. Although illegal immigrants, in the light of their particular position, may be more likely to be involved in some

of these activities, it is not possible to identify a specific migration component of total output or estimate its contribution to its measurement bias.

5. Some sectors have larger shares of “irregular” value added because of informal activity that is concealed from public authorities, for example to avoid complying with tax or employment regulations. Such activities also fall within the production boundary. ONS makes specific adjustments for tips and income in kind and uses expenditure data to estimate certain types of informal activities.

(2) The income approach

6. The income approach measures the income generated by the production of these goods and services. Broadly speaking, this approach adds up estimates for the remuneration of the various factors of production, namely adding up the compensation of employees, business profits (operating surplus) and the income of the self-employed. The major source for this approach is income, corporation and other tax data from HMRC, alongside data from business inquiries. An estimate is made to allow for certain factor incomes not being declared to the HMRC. ONS does not publish a separate series with the compensation of migrant employees or specific demographic groups.14

7. For illegal immigrants working legally, their income will be included in the annual benchmarking process in which HMRC income data are used although there is a potential for misreporting if part of the activity and remuneration are concealed from the authorities. This may also affect the reporting to ONS quarterly and annual surveys despite their not being used for enforcement purposes. If illegal immigrants are working illegally their income will be missing from income tax records and therefore are unlikely to be captured using the income approach unless covered by the adjustments for evasion and smuggling explained above.

(3) The expenditure approach

8. The expenditure approach measures the final expenditures on the goods and services that are produced. This broadly consists of final consumption by households and non profit institutions, government final consumption, investment and exports net of imports.

9. Migrant households will account for a share of the estimated household final consumption. Final consumption is estimated from the Expenditure and Food Survey (a household survey)15 and from the Retail Sales Inquiry, while travel expenditures are estimated from the ONS International Passenger Survey. This is complemented by sales data for the distribution and service trades. This implies that legal and illegal immigrants should be captured in the expenditure approach. Potential exceptions may arise if immigrants are less likely to be part of household surveys, particularly those living in communal establishments.

10. Immigrants are probably more likely to be involved in goods and services transactions with residents abroad, including barter, but no specific information is available on this.

11. Government final consumption expenditure data is obtained from administrative sources. This figure can be split between social transfers in kind (individual consumption) and collective consumption, namely services delivered to the whole community. The former could in principle be attributed to different demographic groups although information to conduct such an analysis is not available. The latter, by definition, cannot be conceptually decomposed into specific demographic groups.

Other macroeconomic aggregates—National Income and Balance of Payments

12. Although GDP is the headline indicator of economic activity, the UK National Accounts also report indicators of national income that ultimately reflect how much residents can use of final consumption and saving. The adjustments required to transform GDP into Gross National Disposable Income require accounting for wages and salaries earned by individuals from economies other than those in which they are resident and other transfers where migrants play a key role.

13. Remittances received from UK emigrants abroad and paid by immigrants in the UK are an important component of current transfers between the UK and the rest of the world.16 The UK does not publish separate data for workers’ remittances within current transfers debits and credits for quality reasons. Workers’

14 Certain sources can in principle be used to estimate immigrants’ contribution to specific components of GDP, for example employment compensation, by estimating the number of migrant employees and their average wage. Because of the way in which workforce jobs, employee numbers and income data from various sources are triangulated at the aggregate level, such an exercise should be undertaken with particular caution and its output sufficiently caveated.

15 The grossing of expenditures recorded through household surveys will be affected by the measurement of the total population, including immigrants.

16 The balance in social security payments between the UK and the rest of the world also reflects credits and debits for payments to migrants.
remittances are based on projections of counterparty data from IMF and key country reports. Compensation of employment and migrant transfer data are mainly based on the ONS frontier survey. Current efforts are focused on improving the quality of information collected on expenditures on money sent abroad collected through household surveys.

14. The International Investment position is also affected. Imputations are performed to account for the fact that when a person’s status changes from non-resident to resident (or vice versa) the property owned by the migrant becomes the property of a resident. For example, any financial assets held abroad by the migrant become claims by the UK on the rest of the world.

Conclusions

15. The national accounts framework allows the capture of immigrants’ production, income and expenditure. While there may be issues of under-recording when activity is illegal or informal, the use of Supply-Use balancing to bring together the three measures of GDP into a single measure of growth is thought to minimise the problem.

16. Because data collection, estimation and reporting are not structured according to demographic groups, the national accounts framework does not enable to identify the direct contribution of immigrants to the measured levels of economic activity.

Annex B

MAIN DATA SOURCES USED IN THIS SUBMISSION

INTERNATIONAL PASSENGER SURVEY

1. This is a sample survey of passengers arriving at, and departing from, the main United Kingdom air and sea ports and the Channel Tunnel. Of those sampled, approximately 1% were migrant interviews in years up to 2007, which amounted to around 3,000 interviews with migrants entering the country and 800 with those departing. From 2007, the number of interviews with departing migrants will be boosted to a comparable level to those on entry.

2. The IPS sample is stratified to ensure that it is representative by mode of travel (air, sea or tunnel), route and time of day. Interviews are conducted throughout the year. The information collected by the survey is weighted using total passenger movements (eg from the Civil Aviation Authority) to produce national estimates of migration. This is explained in more detail in the annual international migration statistics volume, http://www.statistics.gov.uk/downloads/theme_population/MN_no32.pdf

3. In terms of measuring migration, the IPS has three main limitations:
   — it does not cover all types of migration (eg land routes between the UK and the Irish Republic, most asylum seekers and some dependants of asylum seekers);
   — as a sample survey, the estimates are subject to a degree of uncertainty;
   — migration estimates are based on respondents’ intentions, which may or may not accord with their final actions. Adjustments are required to account for those who change their intention, known as “switchers”.

LABOUR FORCE SURVEY (LFS)

4. The Labour Force Survey (LFS) is a quarterly household survey run by ONS, representative of the household population of the UK. The LFS collects a wide range of variables including nationality and country of birth. The data can be used as an indicator of the non-British or foreign born migrant numbers in the UK. The population covered is all people resident in private households. The LFS excludes most communal establishments although it does cover most staff resident in National Health Service accommodation. Students in halls of residence are covered by proxy through their parents and thus foreign students living in halls of residence are not likely to be covered—though those living in private households will be. People who have not lived in the UK for six months are excluded.

5. The sample includes households in multi-occupied dwellings, although there is evidence that response rates for multi-occupied dwellings are lower than for single household dwellings. The sample is, however, weighted to take account of response rates by age, sex and region and this goes some way to correcting for differences in response.
National Insurance Number (NINo) Allocations

6. National Insurance Numbers are issued to individuals over the age of 16 and are used to record a person’s national insurance contributions and social security benefit claims. New numbers are issued to migrants including:

- All non-UK born nationals aged 16 or over working, planning to work or claim benefits legally in the UK, regardless of how long individuals intend to stay.

but excluding:

- Dependents of NINo applicants, unless they work or claim benefits.
- Individuals from overseas not working, planning to work, or claim benefits—for example, this will include many students.
- Migrants who are not of working age if not claiming benefits.
- Those with an existing national insurance number, for example returning UK nationals.

7. Migrant statistics are based on HMRC data, held on the NIRS computer system, on NINos allocated to overseas nationals entering the UK; figures are available back to 2000–01. The statistics show the number of people registering for a NINo in order to work (including the self-employed and students working part-time) or to claim benefits and tax credits. They do not include other people who come to the UK and—being flow data—they do not show the number of foreign nationals working or claiming benefit at a given point in time nor do they distinguish between long term and short term migration. They do make a valuable contribution to the overall picture on immigration.

8. Data are tabulated by year of arrival and registration, continent/country of origin, region of residence, gender, age band, and subsequent benefit claims. A key strength of this administrative source is that data are held at individual level with 100% coverage and are particularly valuable as a local area indicator (data are published at Parliamentary Constituency and Local Authority District level), and for longitudinal analysis.

9. The statistics are derived as a byproduct of an administrative system not designed primarily for statistical purposes; meaning for example that statistics do not distinguish between short-term and long-term migration and hence do not match the UN definition of migration.

The Worker Registration Scheme (WRS)

10. Following expansion of the European Union on 1st May 2004, the Government put in place transitional measures to regulate access to the labour market and to restrict access to benefits for nationals from new member states. Nationals of the A8 countries who wish to take up employment in the UK for a period of at least a month are generally required to register with the WRS. The statistics in this publication are only of those who have registered with the Home Office to work as employees in the UK. Workers who are self-employed do not need to register and are therefore not included in these figures; there may also be other workers from the accession countries who for one reason or another do not register and are thus also not included in these figures. Applicants must register more than once if they are employed by more than one employer. Each application to the WRS therefore represents one job, not one applicant.

11. The population covered on the WRS includes:

- Long-term international migrants from A8 countries working as employees in the UK.
- Visitors and short term migrants from A8 countries, staying for over a month, and intending to work as employees in the UK.
- Dependents of WRS applicants. It is likely that there is some double counting as dependents may also be registered in their own right on the WRS.

but excludes:

- Migrants from A8 countries who are self employed.
- A8 migrants staying for less than a month.
- A8 migrants who migrate or visit the UK for reasons other than work, for example including potentially many students.
- Migrants from non-A8 countries.
12. The data are based on the applicant’s place of work rather than usual residence. Although residence is also collected, Home Office research indicates that workplace is more accurate on the WRS. The figures produced are by date of application rather than date of entry into the UK. Most figures in the Accession Monitoring Report are based on the date the application form was completed.

13. WRS operates as a transitional arrangement following EU expansion in May 2004 so can not offer a permanent alternative or supplementary count. Data will not be available from the WRS after 2009, nor is it being collected from January 2007 for nationals from the latest accession countries (Bulgaria and Romania).

4 October 2007

Examination of Witnesses

Witnesses: Ms Karen Dunnell, National Statistician and Head of the Government Statistical Service, Professor Paul Wiles CB, Chief Scientific Adviser, Home Office, and Mr David Frazer, Head of Statistics, Department for Work and Pensions (DWP), examined.

Q64 Chairman: Good afternoon. Thank you for coming to help us with our inquiry. We have a number of questions, as you know, but I wondered if each of you might like to introduce yourself so that it is in the record.

Ms Dunnell: Thank you. I am Karen Dunnell, the National Statistician and Head of the Government’s Statistical Service.

Mr Frazer: David Frazer, Head of Statistics for the Department for Work and Pensions.

Professor Wiles: I am Paul Wiles, Chief Scientific Adviser at the Home Office but I have ultimate responsibility for statistics at the Home Office.

Q65 Chairman: Thank you very much. Whoever answers is up to you, whether you all want to do it or as is necessary. Please do not feel you have to say the same thing as your colleague has said, but if you think of something to add please do. Last year the ONS described immigration data as “inadequate”. Could you give us some examples of inadequate data? Would you also comment on the scale and significance of the problem and how this situation came about.

Ms Dunnell: First of all, the situation has come about because the scale of travelling across the world and the movement of populations across the world has been increasing over the years. This particularly became a problem when we got rather larger than we expected migration from the new countries joining the European Union. It was at that point, as the National Statistician, that I decided I really needed to join colleagues in the GSS and have a task force to look at the issue and come up with an agreed way of going forward. The main difficulties we have are the following. One of the most difficult things to measure in this country, and, indeed, in many countries, is not the number of people arriving in the country but the number of people leaving the country. That is quite a challenge for the survey that we have at all airports and seaports. We have already, as a result of the task force, put in place a new sampling scheme that captures more people leaving the country. The other problem is that we can get a pretty good national figure of who comes in and who goes out, but of course we really need to know where they go when they arrive in the country. Every year we have to use these data to produce population estimates for every single local authority, and that is another area where we did not feel it was good enough. Particularly since we have had the European Union and a very open labour market and many, many cheap flights between Europe and the United Kingdom, there has been a lot more of what we call “short-term migration”, particularly for work reasons, into the United Kingdom and of course our population estimates and our definition of migration has traditionally been that of the United Nations of “coming intending to stay for 12 months”. We needed to start doing more work on that, which of course is quite complex, working out who wants which definition. Those are the main areas.

Q66 Chairman: That is a clear answer as to what the problems are. Are you able to give us any indication of the scale of differences that have arisen and how much you think it has changed from what you thought it might have been?

Ms Dunnell: At this point it is quite difficult to do that. When we have the 2011 census we will get a benchmark and that will be a test. One of the reasons for doing the work now, of course, is that we do not want to get a census which is out of kilter with the estimates that we produce every year. The main problems are around how many people have moved from the port of entry to which part of the country, and we are assembling quite a lot of information about that now, and also this issue of how long people stay when they arrive. That is where the big issues are.

Professor Wiles: I am sure your Lordships know this but just to make it clear: embarkation controls were abolished between 1994 and 1998. The effect of that is that from 1993 onwards we really do not have any data about people leaving the country. As Karen has already said, with 90 million, roughly, passenger journeys per year in and out of the country, the consequence of that is that we really no longer have
adequate data on net migration. That is obviously quite important because that means we do not have as much of a detailed understanding about the nature of the population of the United Kingdom as we really ideally want to have. Remember that migration is the biggest single driver of population change. Those removals of embarkation controls really had some significant impact. The problem we have now, given we now have those 90 million journeys, is that if we were to go back to the kind of embarkation checks we had in the early 1990s we would simply bring Heathrow and many of the other ports to a halt; it would be hugely expensive because of the people who would be involved; but it would also be too slow. We would gum up the whole system. The result of that is that we can only solve this problem, particularly of measuring people coming in and coming out, by a more technological solution. Perhaps later on we can talk about that, because of course that is what we are trying to move to in terms of our E-Borders Programme, so that we can reintroduce embarkation counting but without having to employ huge numbers of people and effectively bringing everything to a halt.

Q67 Lord Griffiths of Fforestfach: The Statistics Commission has said publicly that there has been something of a reluctance on the part of departments to share information and to develop information together. I wonder whether you could tell us where we stand on that issue today, what you feel the obstacles are to greater coordination, and whether the information held by local authorities might be helpful.

Ms Dunnell: The first thing to say is that colleagues across the Government Statistical Service are working very closely together at the moment. My task force, which reported in December last year, had several government departments actively involved in it and we are taking forward the planning work together. That part of it is going very well. Of course between us—and we can all talk about it—we have already started the process of improving things. As I mentioned we have already increased the sample on the port survey. We have also carried out a review of the 21st century requirement for a port survey—because of course this is quite an old survey—so that we can bring the whole idea up to date and we will be reporting on that before Christmas, and we have already put in place our population estimates, using our large-scale household surveys to apportion more correctly the total number of migrants across local authorities. David, do you want to start to say what you have been doing?

Mr Frazer: Yes. DWP has information on people who come to this country who have the right to work. They have to register for national insurance purposes so that they can build up contributions for future benefit entitlements. The first thing we are doing is making as much of that information as we can available to the ONS at lower level detail. We can drill down those numbers into some very low geographical levels, local authority districts, and we can split them by country of origin, age and sex, so that we have a better flow of information coming here. That is about people coming here who intend to work; those numbers alone do not tell you about those who go on to do so. This is where we can begin to do more linking of administrative records, clearly only where we have a clear legal purpose to do so. We are talking about being able to link records from people who come in and get a national insurance number with other information on the contribution system and on employment from the tax system, so that we can start to get some idea about how many come here and work for a shorter period and who works for longer periods and maybe who works for a spell and then does not work. That work is underway now. There are lots of issues about quality of linking and understanding information but we have made a start, and by the end of the year will be in a better position to say what we can do going forward.

Professor Wiles: Perhaps I might add something to that. First of all, in terms of sharing our data: yes, we do share our data with ONS. In terms of working together on the future: yes, not only Home Office statisticians but also representatives of the National Statistician sit on the E-Borders Programme, so we are working together on that. I think however there is another issue behind it. I have no doubt that we could get a better sense of, as it were, the migration career and what that looks like longitudinally, if we were able to analyse any data that government holds, but I do not need to tell you that there are serious concerns about whether we should be allowed to do that. This is not the only area in which I could make a similar statement of how, if we were able to share more government data, we could get a better understanding on something or other, but the same problems are there. As you know the Council for Science & Technology called for a debate on just this issue and advised the Prime Minister there ought to be a debate because there is a very difficult balance here between how far should we be enabled to bring data together in order to understand problems as opposed to how much right should the individuals have to have privacy from us doing so. That is a difficult balance. In the end it is for Parliament to decide but also the public need to be part of the debate that leads into that decision. There was a Cabinet Committee, MISC 22, I think it was, that was looking at just this issue. That Committee of course disappeared with the change of Prime Minister. But I think the issue is still there of the need to generate that debate and for Parliament to decide how far we should be able to share the data we possess.
**Q68 Lord Griffiths of Fforestfach:** Do you think there is data available in local authorities which could be better used?

**Ms Dunnell:** Yes. In fact we have done some investigation into a number of local authorities. We are pulling all that together and publishing that towards the end of the year. One of the difficulties with local authority information is that some local authorities may develop methods that are very, very good, but, in order to use them at a national level, we need every local authority to comply with the same methods. But we are doing some work on looking at that and looking in particular at whether they have information, for example, about children and schools and so on that would be useful. We are doing quite a lot of work on that.

**Q69 Lord Lawson of Blaby:** I gather there was an interdepartmental task force last year which made various recommendations about improving migration statistics.

**Ms Dunnell:** Yes.

**Q70 Lord Lawson of Blaby:** Have those recommendations been implemented or is there a problem of adequate funding for it? Do not forget those questions, but perhaps I may add a few supplementary questions from your interesting answers. You mentioned that a lot of information you get is from a sampling scheme. Can you tell us how large the samples are, particularly in relation to the total inflows, and whether you think those samples are of an adequate size? Secondly, you mentioned that there are other ways of doing more technological solutions and so on. Are there any other countries in the western world, any other countries which are magnets for migration/immigration, which you think might do a better job than we do in getting the necessary information for policymaking? If so, tell us. Finally, on this interesting question which your Home Office colleague has referred to about the balance between getting the necessary information and individual privacy, do you think at the present time the balance is struck in the right place?

**Ms Dunnell:** The first thing, as I said earlier, is that we have begun work across departments on some of the recommendations of the task force. We have a list of other things we need to do and these will cost money that ONS has not received in its settlement. We had our financial settlement in March, so we have already been able to work out how we are going to spend our money over the next few years and we have identified several Millions of pounds to spend on these improvements. I have just last week, following the settlement for all other departments, written to my permanent secretary colleagues to ask them if they can top up, between them, between £8 and £9 million to help us do this work properly.

**Q71 Lord Lawson of Blaby:** What did they say?

**Ms Dunnell:** I have asked for the replies by the end of October. Then we will come back to it and see what the results are. I am quite hopeful that they will. In some ways it is quite a small amount of money. That is the answer to that. But there are quite a lot of things that we have already said we can do in our budget and, of course, the other departments have programmes of work which are already committed, so it is a top up that we are looking for. On the sampling, the sampling on our port survey I have already said we did not think it was adequate and that is one of the reasons for doing a review, but in the meantime we have upped the samples for people leaving the country and that will improve accuracy quite a lot. The other survey that we use extensively is the Labour Force Survey. Again the task force identified that that has some deficiencies; for example it does not interview in communal establishments. Workers from the A8 may be living, for example, in hostels or caravan parks and things like that and one of the things we need to do is to improve the survey by going and asking Labour Force Survey questions at those establishments. That is one of the things we need some extra funds for. The other thing is changing the definition of who is eligible for the survey. That we are planning to do from next year. At the moment if you have not been in the country for six months you do not need to comply and we are changing that. Those will all bring about improvements. That is the answer on sampling. On your other question about how good we are, I am sure Paul can say something, but it is interesting that OECD have done a report comparing OECD countries, particularly the European countries, and come up with the conclusion that our migration estimates were on the European average. Before I come back to privacy, perhaps you could say something, Paul, about the experience of other countries on this.

**Professor Wiles:** I think your question was: Is there a country that does it better? I think the answer is yes, and it is Australia. That is probably the pre-eminent example of a country that does it much better, but there are rather special reasons as to why Australia manages to do it so much better: it is long way from anywhere else; it is quite difficult to sneak in as an illegal—as you know the Australians have been extremely robust with anybody who has tried to sneak in as an illegal—and the relative flows in numerical terms are small compared to those of the UK. For those reasons they have been able to put in place probably what I think is the best system in the world among the developed countries for doing that kind of counting, and they have, for that reason,
more reliable data. I think that is the answer to the question anywhere better. In terms of funding, if I may, the E-Borders Programme at the moment is out for tender to supply the systems that will run underneath it. That is a funded programme. That will go ahead, because, of course, it is not just there to produce statistics, it is critical to the Border and Immigration Agency’s operations. It is necessary for their operations to work, so it will be funded and go-ahead for those reasons. We have also been looking to see if we can make short-term improvements to landing cards. Those are the cards that non-EEA citizens fill in when they enter this country. At the moment they collect limited information and we only analyse them on a sample basis, and we are looking at whether we can actually collect slightly more information on those as we go ahead. As the National Statistician has just said, she has indeed written to permanent secretaries, and I have a note in my inbox from my permanent secretary saying: What do you advise? I will no doubt advise him that generosity is a virtue, but we will see! On the balance of the day, that we also have a clear framework to ensure that balance is kept and that balance is policed properly, so that people can be reassured that we are indeed sticking to whatever balance Parliament decides.

**Ms Dunnell:** I agree with that. One of the difficulties is making sure that the people who provide the data understand that we will only be using data for statistical purposes. That is the thing we have to get across and at the moment that is quite hard to do because of some of the legal requirements of individual datasets. Things are looking more hopeful now. As you know, we now have a new Statistics and Registration Act, which will come into being in April, and that will enable us to seek permission from Parliament to obtain better access for statistical purposes to some of these datasets. That will start the process. Also, within the Government Statistical Service we have done a lot of work over recent years in setting up anonymised datasets, in setting up safe settings for researchers and colleagues in other government departments to come and look at individual data. We have created an environment within the Statistical Service where we can demonstrate that this is a safe thing to do from the public’s point of view. But it is the perception, at the end of the day, which is very important, so we need to take these steps very carefully.

**Q72 Lord Lamont of Lerwick:** When you were giving your reasons why estimates of immigration might be a bit wide of the mark, you did not mention illegal immigration law, which I would have thought was one of the obvious problems. I notice that Professor Wiles, when he was talking about why had Australia a better system for measuring immigration, referred to perhaps easier problems with illegal immigration. That is my first question. You have outlined in your submission a package of reforms and my second question would be how much more accurate do you think data will become as a result of that? How accurate do you think it can become or are we always going to have to live with a degree of uncertainty surrounding these statistics?

**Ms Dunnell:** I will answer that question and then I will pass to Paul to answer the question about illegals. Yes, the package of improvements I think will go a long way to helping get the situation much better. As I explained, one of the key problems is understanding, first of all, where people go to in the country. The things we are proposing to do—the better linkage of data between departments, not necessarily linkage but the sharing of data between departments and the improvement of information that we get from surveys by including these communal establishments, changing the residence qualification and so on—will all help in dividing up the totals. Because, at the end of the day, we do not think the totals are too far off the mark and some of the emigration information, when we improve that, will improve the accuracy of the inflow and outflow. The other area where it will be very difficult to keep up with things is understanding changing patterns, particularly different patterns of people coming here for education and work. That is where we need to do much, much more research and use longitudinal information to understand those patterns. At the moment, that is quite difficult. We are publishing our first experimental estimates of short-term migrants later this month, but we cannot do that at a local level at the moment. That is one thing that we are going to have to do more work on to improve. Paul, would you like to deal with illegals?

**Professor Wiles:** Perhaps I could continue with that part of the answer first and then I will go on to illegals. Perhaps I ought to say a little bit more about the E-Borders Programme because it is, in a sense, one of the keys to some of these questions. Essentially, the E-Borders Programme will require carriers to provide details of all passenger journeys to and from the United Kingdom. They will have to
supply that information to the Border and Immigration Agency. That data will then be stored as a travel history for each individual passenger, so we will have travel histories for each person who has entered or left the country. That will further be supported by checks and data capture when individuals arrive or leave the country on a risk basis; in other words, we will not check everybody but we will use intelligence sources and other things to carry out checks, and of course that will involve biometric checks. In so far as people have biometric identity documents, whether they are ID cards or passports, we will also check those biometrics. That programme will give full coverage of everybody entering and leaving the UK by 2014. However, since that is an ongoing roll-out from next year onwards, we will have a 95% coverage by 2010, so you can see that this ramps up quite quickly and it is that last small percentage at the end that really takes the time, inevitably, to get hold of. Once we have that in place—in 2014 or, as I say, we will have pretty good estimates before then, in 2010—for the first time that will mean we have an accurate count of both immigration and migration and hence of the net migrant number, which, as I was saying in answer to your first question, is the thing which has been missing. That E-Borders Programme is under way now. It is out to tender. Perhaps I could turn to your first question, is the thing which has been trying to work out where there are residual numbers in the population census data as a base point and then generally speaking, barring accidents, with anybody who might be interested in their legal status. That, in a sense, causes a problem for all our administrative

Q73 Lord Lamont of Lerwick: You would always be years behind.

Professor Wiles: We can only do it when we have a census, that is the problem, because it is the residual method from the census. Until we have another census, we cannot really do it. Interestingly, that is about 0.7% of the population. If you look at the estimates produced by other countries, that is about in the middle of the range that other countries have, so it is probably not too far out. At the moment, that is the only method we have available. I would not pretend it is terribly accurate, but it is the best we can do on the data available and it does give some kind of estimation of the size of the illegal population.

Q74 Lord Griffiths of Fforestfach: In reading the submission, this figure of 939,000 between mid–2001 and mid–2006 comes up. What is the confidence around a figure like that? Is it 90% or 80% or 99%? It is a very specific figure, 939,000, after everything we have been talking about in relation to inadequacy.

Ms Dunnell: Basically, we have to come up with a figure every year because we have to produce population estimates for every health and local authority, so we have to use every piece of information we have to make that estimate. That is the best that we can do. As I have said, we are doing an awful lot at the moment to improve our methods. I do not really want to put a percentage on how confident I am about it, but it is absolutely the best we can do with the data that we have available at the moment. We have been very open about where we feel we can improve the data, so that is what we are going to do. Some people will dispute that it is too high and others will say it is too low, and there we go, but it is actually quite difficult. Given all the different things we are doing and the ways we are comparing, across the piece, the information we have in government, that is our best estimate.

Q75 Lord Paul: I can imagine the problem of not being able to estimate properly the illegal immigrants, but the variations come in which newspaper you read. Is there no way of working out what is the percentage of illegal immigrants from the total number of migrants, or a rough estimate, for five years?

Ms Dunnell: First of all, they are illegal and they generally know they are illegal, so they avoid contact, generally speaking, barring accidents, with anybody who might be interested in their legal status. That, in a sense, causes a problem for all our administrative
systems. Also, because they are a very small minority of the population—and the Health Service and the National Insurance Service and so on are not going around asking absolutely everybody, “Are you an illegal immigrant?”—it is quite difficult to get a handle on it.

Q76 Lord Paul: I understand the difficulty, but is it 5% of people who are illegal immigrants or 1%?
Professor Wiles: I think it is a very interesting question. The thing you have to bear in mind is that probably the proportion of illegals to legal migrants will be different for different migrant groups, because the relative ease of being an illegal obviously varies depending where the migrant group is coming from. I think we will probably find a different percentage. I think it would also vary over time depending on what I think of as the “push factors”, what drives immigration. If you have something like the Bosnian conflict, then you have very powerful pressures driving desperate people out of countries, who are going to be much more desperate to get into a country legally or illegally. That is why I think there is a significant variation on these illegal flows. You are right, however, that you would expect that variation also to show up in the legal flows and, therefore, yes, we could use that to mirror to some extent. We have not done that. As I explained, we simply went for a methodology that we thought would give us some idea of the total of illegal migration, but, you are right, that would be another way of trying to get a finer grained look at the illegal population.

Chairman: I hate to say this because the answers are fascinating and very interesting and I am most grateful to you, but we are getting a little behind the clock. If all of us, including on this side of the table, could move on as fast as we can we will finish somewhere near the proper time.

Q77 Lord Layard: I have a question on illegals. This is a stock of people who have come in illegally, as I understand.
Professor Wiles: Yes.

Q78 Lord Layard: Do we know how recently those people came in?
Professor Wiles: No.

Q79 Lord Layard: Do we know by what method they came in? Did they overstay a tourist visa or did they creep in illicitly? Do we know anything about them?
Professor Wiles: We do know something but not what the numbers are, if I may put it that way. We do have some idea, both from intelligence reports and from fairly obvious things, about the different routes by which people become illegals. Some of course become illegals because they hide in the back of a lorry, or whatever, which is the thing that most people think of, but, you are quite right, probably the biggest single component of the illegal population are overstayers and many of those are overstayers from countries that would probably be surprising, like Americans or Canadians who come here as students or to work or whatever, change their status, but do not formally apply for visas to do so. There is that mixture, undoubtedly.

Q80 Lord Vallance of Tummel: The long-term assumption for annual net migration to the UK was recently raised from 145,000 to 190,000 a year. You have touched on that in your written evidence. Would you say a little bit more about why that has happened and how it was done and specifically what confidence limits there are on that.
Ms Dunnell: We produce population projections every two years and when we do this we also have a look at the assumptions—because they are not predictions, they are projections, and so they are projections of the most recent trends. Basically, those are trends in births, deaths and migration. Of course, when we did the assumptions for the last round of projections, we had the information about the levels of net migration during 2004 and 2005, which were the years following the expansion of the European Union when numbers went up quite considerably. That is why we raised our assumption, because we have no evidence to indicate that these levels are going to go down. That is why we raise them, because that is how the trends have been over the last couple of years that we were taking into account, as well as changes in births and deaths.

Q81 Lord Vallance of Tummel: Confidence limits?
Ms Dunnell: It is very difficult to say. For the births and deaths part, we are very clear about what the trends are, but even there we have to make assumptions about whether the trends will continue in the way that they have done. That is why, when we do projections, we always produce a high variant and a low variant. It is quite interesting that this time our new number was still within the high variant that we had done the time before. We feel fairly confident about that.

Q82 Lord Paul: Some of the London councils were upset when their migrant numbers were reduced because of the new methodology in making the estimates, which of course reduced their money from the central government. How do you respond to the councils’ criticisms and do you plan to make further changes to the way regional estimates of migrants are calculated?
Ms Dunnell: This is a very interesting issue. It arose, partly anyway, from improving our methodology by using our large household surveys to work out where immigrants had gone. We discovered there that a slightly higher proportion of migrants, slightly over
50%, settled outside London, whereas, before, we worked on the assumption that slightly over half stayed in London. So it altered a little bit and created this change in our estimates of London; nevertheless, still by far the largest numbers of immigrants settle in London. That is the situation—which is not very surprising. I suppose what is surprising—and we published a very interesting article based on the worker registration scheme just lately to show that—is that, for example, A8 migrants have moved everywhere in the United Kingdom—as is obvious when one travels around. Again, we feel that using that information from the surveys is the correct thing to do. People may arrive in London, stay not very long, because living costs are very high, and then move to where their fellows are.

Q83 Lord Layard: Could I ask you about short-term migration. You have said you are going to produce a report shortly. Is the concept of a short-term migrant somebody who, when they arrive, say that they are a short-term migrant? When you are trying to estimate the number, does that mean you are taking into account those who become long-term having said that they were short-term? What is the number that you are trying to get at? How do you estimate it? Can you tell us what the number is?

Ms Dunnell: No, I cannot tell you what the number is because we will be publishing it in a couple of weeks—and well in time, of course, for your deliberations. This is a very, very interesting question, of course, because to get the real answer you have to wait until the people go. From the questions we ask when people arrive in the port survey: “Why have you come?” and “How long do you plan to stay?” we have discovered that they do, so we must know how many and for how long. We have certainly discovered that they do, so we know about that in a minute because that is one of the great complications with short-term migrants is exactly what is surprising. I suppose what is surprising—and we published a very interesting article based on the worker registration scheme just lately to show that—is that, for example, A8 migrants have moved everywhere in the United Kingdom—as is obvious when one travels around. Again, we feel that using that information from the surveys is the correct thing to do. People may arrive in London, stay not very long, because living costs are very high, and then move to where their fellows are.

Q85 Lord Sheldon: Do you have any estimate of how long people overstay their original intentions?

Ms Dunnell: I am sure we could get you some information about it. I do not have it, off the top of my head, but we can certainly send you what we have on that. We have certainly discovered that they do, so we must know how many and for how long.

Q86 Lord Sheldon: Very considerable numbers, obviously.

Ms Dunnell: Yes.

Q87 Chairman: Over 650,000 people from the eight countries which joined the EU in May 2004 have since taken up employment in Britain and joined the Worker Registration Scheme, so I am told. How many can we expect to stay permanently in the UK and how many have left again since May 2004? I guess this is all subject to uncertainty but what is the best you can say.

Professor Wiles: I think I had better take this because it is largely Home Office work, the Worker Registration Scheme. I am afraid that the Worker Registration Scheme does not require people to de-register when they leave the country; in other words they register when they join the scheme but not when they leave. WRS was intended to be a measure of A8 migrants entering the labour market but of course this is a transitional arrangement any way which will come to an end. It was not designed to measure net migration from the A8. The direct answer is we do not have an answer. ONS migration figures based on citizenship, which you have in the submission, suggest that outmigration (that is leaving the country) of A8 citizens increased. from 3,000 in the year to mid-2005 to 16,000 in the following year. That suggests that there has been an increase in the outflow. You might expect that because, of course, it change their intentions and decide to stay for much longer—which is, I imagine, quite a number of people.

Ms Dunnell: I am going to get David to say something about that in a minute because that is one of the great benefits of the linked information that DWP have been able to create. Again, these are things that we need to do more research on, but we do know from our passenger port survey that considerable numbers of people do change their minds. It is getting the factual information to back that up that is important. David, would you like to add to that.

Mr Frazer: The sort of thing we will be looking to do is to build up longitudinal data on the patterns of what people do when they are here. I am thinking about how long they work. If we look at cohorts coming in in particular years, how many appear to work for short periods and how many work for longer, that will give ONS better information to feed into the way that they estimate those kinds of things.
was the latter year that was really the first year that related to the new A8 accession countries being there for the first time, so you would expect that to happen. The problem we have at the moment is that until we have more than one year’s data it is difficult to get a sense of the trend here about what proportion of those coming are leaving. When we get more of that data we will be in a position to estimate the trend in outflow as well as the numbers coming in.

Q88 Chairman: I wonder if I dare ask this question. We had the Governor of the Bank of England here some time ago and he made some remarks which got a lot of publicity about his difficulty in working out economic trends because he does not know what the labour force is. Is this related to this problem? Professor Wiles: It is a small part of the problem yes. I think the Governor is referring correctly to the fact that because we have to give him information from a large number of sources, as the National Statistician is saying, then he and the Economic Policy Committee are inevitably faced with a degree of uncertainty—and this is what you have been exploring with us for some time—around those numbers. Yes, that is undoubtedly part of the problem, but this is only a part of that problem. Ms Dunnell: I think that is also related to the improvements that we are carrying out on the Labour Force Survey, where we will cover communal establishments and drop the requirement to be here six months. That will help that problem a lot.

Q89 Lord Griffiths of Fforestfach: Given the answer you have just given, do you have any estimates for A8 migrants who have come to the UK either as students or as self-employed persons, who I take it to do not register under the Workers Registration Scheme. Professor Wiles: First of all, those who enter the country on student visas are permitted to work part-time, which is up to 20 hours a week during term time, and they are entitled to work full-time during holidays. We presume that many do—they do not need to seek separate permission to do so; that is part of their student visa condition—but we do not have a central record of the work that is undertaken by students or how many of them do so. The kind of work we can probably all take a guess at, in terms of sandwich shops, bars and so on, but we do not have detailed information on that. Those on student visas are not allowed either to engage in business, to enter the labour market as a full-time worker, or to become self-employed. At that point they have to reapply for separate permission to be in the country.

Q90 Lord Griffiths of Fforestfach: Do you have any estimates of those in the A8 category who simply do not register?

Professor Wiles: No. For the Workers Registration Scheme, I can tell you that workers who do not register and enter the labour market in this country are subject to fines if they are caught and those employing them are subject to fines if they are caught. Of course the Border and Immigration Agency does have an enforcement section that makes sure that this, amongst other migration laws, is enforced where possible.

Q91 Lord Lawson of Blaby: May I ask you a question with which you will not be familiar because it arises from this very interesting document Statistical Evidence on the Economic Impact of Immigration which only arrived here just before you came into the room. One of the interesting things it shows is that there has been an increase in people leaving the country of something like 50%. The annual rate has risen by about 50%, half as much again, over the past ten years. Do you know anything about what these additional people are? Are they elderly people going to retire overseas? Are they people of working age? Are they skilled? Are they unskilled? Is there a brain drain or are they just people who came here as immigrants and then just going away again. Who these people are has just as much economic significance as the numbers. Ms Dunnell: In our statistical submission that you had for about a week or so there is a bit more information about this, and we can certainly follow it up, but in your question really you have hinted at the answer. This is a great mixture of people and the numbers have increased over the years for the same kinds of reasons that the numbers coming here have increased: it is just much easier to travel, it is much easier if you go to come back for short stays and so on and it makes that much more attractive. Basically, residents of the UK are still going in large numbers to places like Australia and Canada to work; many are going to Spain and France to retire; and, of course, young people are increasingly going away on gap years and maybe staying longer. It is a huge mixture of people.

Q92 Lord Lawson of Blaby: I am sure it is, but what I was trying to get at is your best guess at the relative importance. Economically it makes a big difference whether they are elderly people, like myself, going to the “Costa Geriatric” or whether they are enterprising youngsters who think there is a better future in Australia. There is an economic difference between those two kinds of migrants. Ms Dunnell: Yes.

Q93 Lord Lawson of Blaby: Therefore your best guess of the relative size of this group is of interest.
Ms Dunnell: I cannot, off the top of my head, answer that one but I will make sure that the best estimates we have to answer that we send to you.

Professor Wiles: There is a danger that one thinks of migration as a one-way process. Of course, enterprising young people who go somewhere else for a period may eventually come back, so the extent to which this is an economic benefit or disbenefit to the country may be slightly different in the longer term than the shorter term.

Q94 Lord Lamont of Lerwick: Can you say something about the skills levels of the migrants.

Mr Frazer: The Labour Force Survey tells us about the skills levels of migrants that have been here for six months. There is evidence in the written submissions about that. I suppose it depends on what kind of question you are asking. We are not sure if you are asking about students who are here now or who perhaps study here but then go on to work in this country. For the latter, that is more difficult, because the sources tend to ask about what qualifications you have if you are a student, and if you are a worker they will ask about qualifications but they will not ask about what you did before you worked here and nor will they ask about your intention in the future. So we do not have good information from the survey sources at the moment. Over time, with some of the administration information, it may be possible to start joining information on education records and qualifications students have with whether they go on to work here. That is probably one of the longer-term development and not one of the key areas we identified in the task force, but there are some things in the Home Office information.

Professor Wiles: If I might add to that, one of the problems is that it is difficult to compare qualifications obtained in different countries and to know what is equivalent to what. There are some organisations, and probably the premier one is the National Academic Information Service—which is a bit of a mouthful—which tries to do just this and it does it in return for a fee, largely for students looking for accreditation for entry into UK university institutions. They are probably much the most reliable source of comparative skills and qualifications data between migrants. The points-based system that we will be introducing in the Home Office shortly will use that organisation to assess qualifications in order to assign points to those applying for visas to enter this country. That means in the future that the points-based system for non-EEA migrants will begin to give a more reliable answer to that question using a generally comparative understanding of what the relative qualifications are. The other thing to say, of course, as you probably know, is that the Home Office has just set up an external Migration Advisory Committee that is chaired by Professor Metcalfe, who I am sure Lord Layard, at any rate, knows quite well. They are precisely there to offer us advice on how the points-based system should apply to the changing needs of the UK labour market, so this question of qualification and experience will be one, I am sure, that they will be looking at.

Q95 Chairman: Is the points-based system included in the document?

Professor Wiles: Yes. My apologies, my Lord, that you got that very recently.

Chairman: We have reached the end of our questions. I am very grateful to you for answering the questions and for heeding the gentle hint I gave to try to speed things up. We have slightly overrun our time but it has been very worthwhile. There have been very useful answers and we are grateful to you for coming along and giving us the information we need at this stage of our inquiry.

Supplementary letter from the Office for National Statistics

I gave evidence with Government Statistical Service colleagues to the Economic Affairs Committee investigation into the Impact of Immigration. There were two follow-up requests from the session and subsequently a further request for clarification of the status of the different estimates of migrant workers recently appearing in the press. A response to the two questions raised at the session is attached separately.

The data for analysing migrant workers comes from the Labour Force Survey. The data has been used to answer many questions, and the different estimates in circulation reflect the often subtle differences in the questions being asked. The key distinctions to be made are those between foreign-born and foreign nationality, and working age adults versus all those aged 16-plus. When applied to individuals in employment, these classifications lead to legitimate, but different, estimates from the same data of the number of “migrant workers”.

The statistical submission to the House of Lords Select Committee on Economic Affairs in October included estimates of the number of migrant workers employed in the UK based on the number of people at a given time who were born abroad, are of working age (16–64 for men, 16–59 for women), and in employment, and thus included, for example, some people who are UK nationals. This submission remains accurate and is not
affected by the revision to the estimate of the number of foreign nationals employed in the UK announced by DWP on 29 October.

In response to evidence given to the committee by the National Statistician on 16 October, additional information was requested on two topics.

1. The Committee asked for more information regarding people not realising their intentions on arrival in the UK with regards to their length of stay

Since 1991, ONS has made allowances in the international migration estimates for people who did not realise their intended length of stay when they first arrived in (or left) the UK.

— Visitor Switchers are defined as people who originally planned to stay in their destination country for less than 12 months, but subsequently stayed longer than 12 months.

— Migrant Switchers are defined as people who originally planned to stay in their destination country for longer than 12 months, but subsequently stayed for less than 12 months.

In 2004, ONS introduced new questions on the International Passenger Survey (IPS) asking departing overseas citizens (and arriving UK citizens) how long they had intended to be in the UK (or abroad) at the time they arrived (or departed). The data gathered from these questions have provided an empirical base on which to set the levels of adjustment in ONS’s improved migration methodology to allow for Visitor Switchers and Migrant Switchers.

The adjustments made, for the mid 2006 population estimates, to account for Visitor Switchers were as follows:

— 27% of arriving EEA citizen visitors stayed longer than a year (resulting in an estimated 35,000 switchers in the year to mid 2006);

— 16% of arriving non-EEA citizen visitors stayed longer than a year (resulting in an estimated 13,000 switchers in the year to mid 2006);

— 31% of departing EEA citizen visitors going to an EU country stayed longer than a year (resulting in an estimated 8,000 switchers in the year to mid 2006); and

— 11% of all other departing visitors stayed longer than a year (resulting in an estimated 7,000 switchers in the year to mid 2006).

The adjustments made to allow for Migrant Switchers were:

— 3% of arriving “migrants” left within a year (resulting in an estimated 18,000 switchers in the year to mid 2006);

— 4% of departing “migrants” returned within a year (resulting in an estimated 17,000 switchers in the year to mid 2006).

2. The Committee noted that estimates of international out-migration had risen by almost 50 per cent over the last ten years. They requested further information on some of the characteristics of out-migrants in order to understand if these differed significantly from those of in migrants, in particular, if those leaving were mainly British or UK born.

Table 1 shows estimates of international out migration in the years 1996–2005 for British and non-British citizens. In most years slightly over half of all out-migrants were British citizens (an average of 53%).

17 The adjustments are applied to IPS estimates for the number of people who intend to stay in their destination country for between six and 12 months, or who state that they don’t know how long they will stay but that it could possibly be for 12 months.
Table 1

OUT-MIGRATION BY YEAR AND CITIZENSHIP,
TOTAL INTERNATIONAL MIGRATION\(^1\)
UNITED KINGDOM, 1996–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (thousands)</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
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</tr>
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<td>2003</td>
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<td>191</td>
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<td>2004</td>
<td>359</td>
<td>208</td>
</tr>
<tr>
<td>2005</td>
<td>380</td>
<td>198</td>
</tr>
</tbody>
</table>

Notes:
\(^1\) The principal data source for estimates of Total International Migration is the International Passenger Survey (IPS). It is supplemented with data from the Irish Central Statistics Office (CSO) on flows to and from the Irish Republic. Other data sources allow for the estimation of adjustments for: asylum seekers not captured by the IPS (using data from the Home Office), and for “switchers” (people who change their intentions and their migratory status).

Source: Office for National Statistics

Table 2 provides a similar analysis based on whether out migrants were born in the UK or abroad. These figures show that, over the period, similar proportions were born in the UK and abroad, with some variability from year to year. Neither table provides any evidence of any long-term trend.

Table 2

OUT-MIGRATION BY YEAR AND COUNTRY OF BIRTH,
TOTAL INTERNATIONAL MIGRATION\(^1\)
UNITED KINGDOM, 1996–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (thousands)</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
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</tbody>
</table>

Notes:
\(^1\) The principal data source for estimates of Total International Migration is the International Passenger Survey (IPS). It is supplemented with data from the Irish Central Statistics Office (CSO) on flows to and from the Irish Republic. Other data sources allow for the estimation of adjustments for: asylum seekers not captured by the IPS (using data from the Home Office); and for “switchers” (people who change their intentions and their migratory status).

Source: Office for National Statistics

Table 3 shows the age distributions of British and non-British out-migrants between 2001 and 2005.

— For both groups, the majority were aged between 15 and 44.
— However, the proportion in this age group was markedly higher for the non-British (88%) than for the British (65%).
— Although British out-migrants were more likely to be of retirement age than non-British, the proportion in this age group was relatively small in both cases (five and one per cent respectively).

Table 3

OUT-MIGRATION BY CITIZENSHIP AND AGE,
INTERNATIONAL PASSENGER SURVEY\(^1,2\)
UNITED KINGDOM, 2001–5

<table>
<thead>
<tr>
<th>Age</th>
<th>Per cent</th>
<th>All ages</th>
<th>Under 15</th>
<th>15–24</th>
<th>25–44</th>
<th>45–59/64(^3)</th>
<th>over(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All citizenships</td>
<td>100</td>
<td>8</td>
<td>23</td>
<td>52</td>
<td>13</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>British</td>
<td>100</td>
<td>10</td>
<td>17</td>
<td>48</td>
<td>20</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Non-British</td>
<td>100</td>
<td>5</td>
<td>30</td>
<td>58</td>
<td>5</td>
<td>1</td>
<td></td>
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</tbody>
</table>

Notes:
1 Figures are based on International Passenger Survey (IPS) data only and do not include data covering flows to the Irish Republic or adjustments for asylum seekers, visitor switchers or migrant switchers.
2 These data have been revised in line with recent changes to the weightings used to gross up the IPS data. Therefore they may not agree with previous estimates that have been published.
3 “45–59/64” includes females aged 45–59 years and males ages 45–64 years to reflect the differing retirement ages between the sexes.
4 “60–65 and over” includes females aged 60 years and over and males aged 65 years and over to reflect the differing retirement ages between the sexes.

Source: Office for National Statistics

Figures 1a and 1b provide a comparison of the age distributions of British and non-British out-migrants over the period 1991 to 2005. This shows that:

— The age distribution of British out-migrants was relatively stable over this period. The main change has been an increase in the proportion of out-migrants aged between 45 and retirement age, with a small decrease in the proportion aged 15–24.

— For the non-British, there was a steady reduction in the proportion aged under-15 with commensurate increases in other age groups. In particular, those aged 25 to 44 have consistently comprised the majority of non-British out-migrants since 1999.

Figure 1a

AGE DISTRIBUTION OF BRITISH OUT-MIGRANTS BY YEAR,
INTERNATIONAL PASSENGER SURVEY
UNITED KINGDOM, 1991–2005
The destinations of British and non-British out migrants in the period 2001–05 are shown in Table 4.

- Nearly three quarters of British migrants went to either the EU (39%) or Old Commonwealth (33%).
- Slightly over half of non British migrants went to these destinations (28 and 27%, respectively). They were more likely to go to all other destinations than British migrants. This principally reflects non British migrants returning to their home country or region of the world. Details can be found in the International Migration statistics series MN, at: http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=507

Table 4

OUT-MIGRATION BY CITIZENSHIP AND PLACE OF NEXT RESIDENCE, INTERNATIONAL PASSENGER SURVEY1,2

<table>
<thead>
<tr>
<th>Place of next residence</th>
<th>All countries</th>
<th>EU3,4</th>
<th>Other Europe3,4</th>
<th>All C’wealth3,4</th>
<th>Old C’wealth</th>
<th>New C’wealth3,4</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td>All citizenships</td>
<td>100</td>
<td>34</td>
<td>5</td>
<td>38</td>
<td>30</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>British</td>
<td>100</td>
<td>39</td>
<td>3</td>
<td>38</td>
<td>33</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Non-British</td>
<td>100</td>
<td>28</td>
<td>7</td>
<td>38</td>
<td>27</td>
<td>10</td>
<td>27</td>
</tr>
</tbody>
</table>

Notes:
1 Figures are based on International Passenger Survey (IPS) data only and do not include data covering flows to the Irish Republic or adjustments for asylum seekers, visitor switchers or migrant switchers.
2 These data have been revised in line with recent changes to the weightings used to gross up the IPS data. Therefore they may not agree with previous estimates that have been published.
3 Up to and including 2003: estimates for the EU include the EU15 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, the Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden); Other Europe includes all other European countries except Cyprus and Malta; and Commonwealth and New Commonwealth include Cyprus and Malta.
4 From 2004 onwards: estimates for the EU include the EU25 (EU15 plus Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia); Other Europe includes all other European countries; and Commonwealth and New Commonwealth exclude Cyprus and Malta.

Source: Office for National Statistics
Figures 2a and 2b show that, for both British and non-British migrants, the proportions going to the EU and Old Commonwealth have increased slightly in recent years.

**Figure 2a**

**DISTRIBUTION OF PLACE OF NEXT RESIDENCE OF BRITISH OUT-MIGRANTS BY YEAR, INTERNATIONAL PASSENGER SURVEY**

**United Kingdom, 1991–2005**

**Figure 2b**

**DISTRIBUTION OF PLACE OF NEXT RESIDENCE OF NON-BRITISH OUT-MIGRANTS BY YEAR, INTERNATIONAL PASSENGER SURVEY**

**United Kingdom, 1991–2005**

*16 November 2007*
Memorandum by the CBI

CBI evidence to House of Lords Economic Affairs Committee: the economic impact of migration

1. The CBI is pleased to respond to the Committee’s request for evidence on the impact of migration. We appreciate that the Committee has asked for short submissions and in this response we have focussed on skills and employment issues where the CBI has a unique insight. Other issues such as the impact on public services, on regional policies and on data capture are clearly also important—but are better addressed by relevant experts.

2. In this response, we focus on the experience of firms employing migrant workers in the UK. Feedback from our members suggests that employers are employing migrants with a range of skills across a range of sectors. Clearly some migrants need support with languages and in accessing their employment rights and this is an area where we think more can be done—by Government and employers. We do not believe that migration is a long-term answer to UK skills issues and we must ensure that action is taken to address shortcomings in the education and training systems. However, migration has undoubtedly brought economic benefit to the UK although migration from outside the EU was in need of reform before the advent of the points-based system.

Employers are employing migrants with a range of skills . . .

3. CBI members report that the widespread portrayal of migrant workers as lower-skilled and working in lower paid jobs is overly simplistic. While it is the case that some migrant workers have moved to work in areas where labour shortages exist for lower skilled staff, the overall employment profile of migrants to the UK is complex and reflects a range of demand from employers for different levels of skills. The CBI’s 2007 Employment Trends Survey shows that demand for skilled, managerial and professional workers from abroad remains strong. Over two-thirds (69%) of firms expect staff hired from the EU-15 to be skilled, managerial or professional, as do 62% hiring from the new EU members.

4. Exhibit 1 sets outs this data and maps trends in demand since 2005. It clearly shows a broad mix of demand across skill levels for all source countries. It also shows that firms that require low-skilled labour are still sourcing workers from abroad, most notably from within the expanded EU. While the trend is clearly for an increase in the share of workers to fall into the “skilled” and “professional” segments of the workforce, a substantial percentage of migrants still fall into the unskilled segment.

5. This survey data is borne out in the anecdotal evidence received from CBI members, who have emphasised the importance attached to a migration system that assesses demands at all skill levels and takes account of this in the government’s migration planning.
6. This year’s CBI Employment Trends Survey also showed significant variations by sector in the employment of migrants. This is to be expected, given the different needs for skills and levels of demand in the different sectors. Among the new EU members, for instance, the hospitality sector was most likely to hire workers (46%), closely followed by construction (36%).

7. Looking at the need for unskilled workers in the future, demand is likely to be particularly concentrated in sectors such as retail, transport and communication which have been experiencing labour shortages—two thirds (65%) of migrant workers from the EU15 to retail are expected to be unskilled with a similar number seeking unskilled workers from the new EU states (64%). In the transport and communication sector, equal numbers (40%) of employers expect hires from the EU15 to be unskilled compared to just over half from the new EU members.

8. Demand for labour from outside the EU also remains: 15% of firms anticipate hiring from non-EU states over the next year—over three quarters (77%) of demand for migrant workers from outside the EU is for skilled, managerial and professional staff. These migrants are particularly found in the Financial and Professional sectors where over a quarter (26%) of firms will take professional staff from outside the EU, and over one fifth (24%) will take on skilled staff from non-EU countries.

Some migrants need support with language training . . .

9. English skills are a vital driver of social integration as well as labour market integration and, while many migrant workers from the new EU accession states arrive with excellent English language skills, others need support. Employers are playing their part with language training and are also committed to promoting community integration. Many firms provide English for their staff—over a quarter (28%) provide English language training to their employees and/or signpost them to relevant courses in the local area. It is also encouraging that one in six (16%) employers is also providing practical information about life in the UK to help ease the process of integration.

10. The Department for Innovation Universities and Skills has been working to develop a new ESOL for Work qualification. This is a new bite-sized, work-relevant programme which will be of benefit to employers and their employees. The CBI and TUC are currently working together (with DIUS support) on a good practice guide for employers on English for Speakers of Other Languages (ESOL). This will highlight the
benefits to employers and employees as the examples below demonstrate. It will also provide information and guidance to employers in how best to respond to the language challenges—and where to access the government support that is available.

First Group, Bus Division and English language training

First Group is the largest surface passenger transport company in the UK with a turnover of £3 billion. The Bus Division’s European Recruitment Programme has recruited over 1,100 employees from Europe. For three months prior to employment, applicants receive free English language training based on everyday language, relevant for the workplace and linked with health and safety. Applicants are only recruited once they are considered to be able to communicate in English. Once in the UK, employees are encouraged to continue their ESOL training, usually in their own time, but through a local provider or with the support of a Union Learning Representative in an onsite lifelong learning centre. First Group, Bus Division also helps arrange bank accounts for new employees and supports them in their search for rented accommodation in the first sixth months after moving to the UK. Such an approach has delivered real bottom line benefits—reducing staff turnover and increasing profitability.

Cavaghan & Gray

Cavaghan & Gray are seafood manufacturers with 1,000 staff based in the North West, have developed a comprehensive strategy to support migrant workers. The firm offers ESOL courses for employees before or after shifts for 2.5 hours a week for nine weeks. New workers are assigned a buddy for the first few weeks to ease their integration into the UK and the company. Their buddy speaks their language and supports them through the health and safety training. As a further support for new migrant workers, all signage and paperwork, including the company handbook, is multilingual and the structured induction is currently held in a range of languages. The company has also set up a Diversity Forum expressly to monitor the integration of migrant workers, and to identify any future needs they may have. Employees from every nationality and community are encouraged to contribute to the firm’s quarterly magazine as a way of promoting cohesion. Staff morale and community cohesion within the firm have improved substantially as a result.

. . . and in accessing their employment rights

11. The CBI is very concerned to ensure that migrant workers who are vulnerable to exploitation and abuse are able to benefit from their statutory employment rights. It is essential that they understand their employment rights and are able to access both advice and enforcement bodies.

12. Information is now being made available in the newer EU states in the language of migrant workers to explain—before workers enter the UK—our fundamental employment rights; for example this guidance spells out the level of the National Minimum Wage and the maximum that can be deducted for accommodation—as well as the UK rules under the Working Time Directive (which is implemented differently in some member states). These leaflets are also available in the UK and also signpost workers to services such as that provided by Acas who are often able to resolve disputes without requiring employees to take their case to Employment Tribunal.

13. It is essential that the UK enforcement bodies work together to target sectors or localities where abuse has been highlighted as an issue. The UK has a good network of well respected bodies responsible for effective enforcement. The Health & Safety Executive, the Gangmasters Licensing Authority (designed to deal with specific issues in the agricultural sector), Employment Agency Standards Inspectorate and the HMRC’s work on enforcing the National Minimum Wage (NMW) all have key roles to play. The CBI is working with the Government and trade unions—as well as interested sectors—on the BERR Vulnerable Workers forum to ensure that co-ordination between these bodies is further improved. We have also welcomed Government’s moves to introduce proper penalties for non-compliant firms; the CBI has worked closely with the Government to ensure proportionate fines that reflect the extent of a firm’s non-compliance with the NMW, for instance.
Migration cannot be a long-term answer to UK skills issues, but it is helping firms in the Short-term

14. Business recognises the economic imperative of investing in world class skills. To compete in a fast changing global environment, UK employers must gain a comparative advantage on skills as they cannot compete with emerging economies on costs. Migration can provide a short term solution by filling skills shortages, but in the longer term the sustainable business solution is to strengthen the skills profile of the domestic workforce.

15. The UK’s skills profile is currently a “patchwork quilt” of strengths and weaknesses. The UK performs comparatively well compared with our European competitors on higher skills (29% of adults are qualified to Level 4), but significant problems remain on the basic skills which provide the platform for employability. The Leitch Review of Skills found that 17 million adults had difficulty with numeracy, and that five million were not functionally literate.

16. Achieving world class skills, and addressing skills deficits, will require action by both Government and employers. Business is willing to play its part and already makes a significant investment in skills—spending £33 billion per year in staff training. In addition, the amount UK employers spend on staff training as a proportion of payroll—3.6%—is the highest in the EU.

17. On basic skills, over 250 employers have already made the Skills Pledge and committed themselves to supporting their staff in gaining basic level qualifications. The CBI has supported the Pledge and is taking steps to actively promote it amongst our members, but concerted effort is also required from Government to raise business awareness. Employers welcome the Government support provided through the Train to Gain programme which provides brokerage services and public funding for training on basic qualifications.

18. The CBI Employment Trends Survey 2007 found 15% of employers provided school leavers with remedial numeracy training, and 13% on literacy. But employers should not have to remedy failings in the education system, and it is the Government’s responsibility to ensure that young people leave education with the basic numeracy, literacy and employability skills required for success in work and life. The Government has made progress in the last decade on literacy and numeracy, but over half of young people still fail to gain a good pass in both English and Maths GCSE and this situation must improve.

19. The UK needs a world class education system that produces the young people with the skills and aptitudes that business requires to compete. In particular:

- young people must leave school literate and numerate;
- employability skills—such as self management and problem solving—should be embedded in to the curriculum, with employers providing quality work experience;
- strong vocational qualifications—with the new Specialised Diplomas having a key role; and
- high quality careers advice to ensure young people are informed about all their options.

20. World class skills are becoming ever more essential—the number of low skilled jobs is predicted to decline sharply, with the future focus being on higher level skills. Employers recognise this challenge—our survey found 78% of employers demanding higher skills over the next decade. But the skills challenge facing the UK is significant, and requires long term efforts to improve the domestic skills base—migration can only be a short term solution.

Migration has brought economic benefit to the UK

21. The UK has now enjoyed stable economic growth for over 60 quarters and employment remains high. There are now over 29m employee jobs in the economy. In the past such a situation might have led to capacity constraints on firms’ further growth to become evident and we might also have feared some upward wage and price inflation pressures—leading to a wage-price “inertia” which would be damaging to the economy as a whole. Such pressures, driven by skill and labour shortages, have a deleterious impact on the performance of firms operating in the global economy—against competitors with fewer human resource constraints.

22. The CBI believes that price inflation has been restrained by migrant workers as they have raised the supply potential of the economy to match demand growth. They do this by addressing the needs of businesses in two areas—constraints on labour supply (often in less skilled jobs) and on skilled labour. This was the key finding of a recent report by MPC member David Blanchflower and colleagues which concluded that unemployment
and inflation are likely to be lower because of recent migration trends\textsuperscript{22}. Other recent research supports this conclusion\textsuperscript{23}, and shows that immigrants broadly have a positive effect on the economy, contributing more to GDP than the UK average and consuming less in public services (although there is some variance between nationality groups). This is also broadly supported by the findings of the City of London Corporation\textsuperscript{24} and the Home Office\textsuperscript{25}.

23. The UK’s labour market flexibility has been a significant part of the UK’s economic success over the past two decades. The labour market has been able to react to react to changes in patterns of demand, cyclical changes and market shocks—and gives employers the ability to react quickly and efficiently to changes, ensuring labour demand and supply are matched. In this way, flexible labour markets are beneficial not just for employers but for employees too—they have helped the UK sustain one of the highest employment rates in Europe.

24. Employee mobility—both internationally and within the UK—is one of the key pillars of a flexible labour market. It helps firms and workers to adapt to changing conditions. In good economic climates it helps firms continue to grow and provide jobs, in less good times it eases the process of adjustment. Because of this legal economic mobility and migration tend to have a positive effect on the economy.

25. In the past, mobility within the UK and EU has been poor. In 2003, the CBI and the European Mobility Forum suggested that a process of labour market adaption aided by mobility—with targeted action to address obstacles provided by social security, pensions and language difficulties—would help improve economic performance.\textsuperscript{26} The IMF has recognised this. It concluded that the well-established flexibility of UK labour markets means “migration is likely to have positive effects on economic growth, capital accumulation, consumption, and the public finances\textsuperscript{27}.”

Migration from outside the EU should be managed to balance economic need and integration

26. The CBI supports an approach to migration that balances the needs of the economy with social issues. Our support for the new points-based system (PBS) rests on the system effectively delivering this balance.

27. The CBI remains fully supportive of the free movement of workers within the European Union. The success of migration to the UK in recent years—in particular the so-called A8 enlargement—was in the fact that it reacted directly to demand. Reports from the Workers Registration Scheme show remarkable levels of employment, low benefit claims and a tendency to work in sectors where shortages were previously evident. There is little evidence of a negative wage effect for non-migrant workers. This is not to say, however, that A8 migration has not had some social effects—in particular on public services in those areas where migrant workers have clustered as funding lags behind actual numbers of people in the area. This is why, in the interests of maintaining a balance between integration and economic performance, the CBI called for a pause before extending the right to free movement to workers from Bulgaria and Romania.

28. CBI represents business interests on the Migration Impacts Forum whose role is to advise the government and the Migration Advisory Committee (MAC) on the social impacts of migration. We welcome the appointment of Prof. David Metcalf as chair of the MAC and want to work with it to ensure that it can successfully marry the twin goals of meeting employer demand and social integration through the PBS.

\textit{October 2007}

\textsuperscript{22} D Blanchflower et al “The impact of recent migration from eastern Europe on the UK economy”
\textsuperscript{23} IPPR “Britain’s Immigrants: An economic profile” September 2007
\textsuperscript{24} LSE “The Impact of Recent Immigration on the London Economy” July 2007
\textsuperscript{25} S Dench “Employers’ use of migrant labour” 2006
\textsuperscript{26} CBI & European Mobility Forum “Europe without borders: Creating a culture of mobility within Europe” 2003
\textsuperscript{27} Dora Iakova “The Macroeconomic Effects of Migration from the New European Union Member States to the United Kingdom” March 2007
Examination of Witnesses

Witnesses: Ms Susan Anderson, Director of Human Resources Policy, Mr Neil Carberry, Head of Pensions and Employment Policy, and Mr William Simpson, Senior Economist, CBI, examined.

Q96 Chairman: Good afternoon. I think the faces I see are somewhat familiar. We are pleased to see you here again and most grateful to you for coming along to help us. I wonder if you could introduce your colleagues

Ms Anderson: Just to remind you, I am Susan Anderson. I deal with employment, education and skills issues at the CBI. I will allow my colleagues to introduce themselves.

Mr Carberry: I am Neil Carberry. I work for Susan. I am head of pensions and employment policy at the CBI. I am also the CBI’s representative on the Migration Impact Forum which has recently been set up.

Mr Simpson: I am William Simpson. I am a senior economist at the CBI and have been for the last three years.

Q97 Chairman: Thank you very much indeed. Your written evidence suggests that immigration is helping firms to address skills shortages in the short term but that in the longer term the sustainable business solution is to strengthen the skills profile of the domestic workforce. Does not the availability of migrant labour reduce the employer’s incentive to invest in training of British workers? In other words, it seems to me that there is a danger that there will always be a short term and there will not be a long term.

Ms Anderson: We can understand that concern. I think it might be a reasonable working assumption but the evidence is that it has not happened in practice. Although we cannot be complacent, employment continues to remain strong, unemployment has not risen and employer spend on training has not declined. If we look at employer spend on training, it has risen over the last six years or so from about £23.5 billion to £33 billion for the UK as a whole, so employer spend on training is holding up very well. In the absence of migrant workers, we may have seen fewer workers on incapacity benefit. I think we now have about 2.5 million workers on incapacity benefit. About one million of those would say they would like to work. We have also seen a slight increase in the number of 16-17 year olds who are not in education and training (the so-called “NEET” group). That is now around 126,000. It has been increasing. It was 6% in 1994 and the last figures that we have real evidence for was around 9.5% in 2005. It is undoubtedly the case that there has been some impact on the unemployed, getting those more-difficult-to-place unemployed into jobs (for example, ex-offenders or those with health problems, particularly mental health problems), but there is no evidence that it has led employers to reduce their spending on training of the existing workforce.

Q98 Lord Vallance of Tummel: What is the role of immigration in addressing staff shortages in occupations which require relatively low skills? Are we likely to see a continuing increase in the share of low-paid jobs held by migrant workers? Specifically, what are your views on the Government’s decision to phase out low-skilled migration programmes for migrant workers outside the European Union?

Ms Anderson: My colleague Neil will deal with the migrant workers low-skilled schemes. For us, we are seeing some interesting trends. If you look at exhibit 1 in our evidence, we are seeing both the demand for unskilled and skilled staff from our members, so that it is not true to say when we are looking at the new EU states, the A8 states, that companies are only looking for unskilled staff. There has been a significant rise in the number looking for unskilled but we are also seeing rises in skilled, not only from the A8 countries but also from the old EU states. I think there is a demand that is particularly strong in sectors such as retail, hospitality and in parts of construction, where we are seeing still quite a strong demand for unskilled but I do not think we should ignore the fact that we are also looking for skilled staff as well.

Mr Carberry: A lot of the extra EU low-skilled migration programmes date from before the 2004 enlargement—the sector-based scheme and so forth. It is not strictly the case that the Government will phase those out. Tier 3, of course, exists within the new points-based system; it is just not being used yet. We have supported that decision because, of course, we have placed controls on workers coming in from Bulgaria and Romania, and on the basis of the principle of free movement we support the Government’s decision that the first place to look for these workers should be within the European Union, including Bulgaria and Romania in due course, and then, on the basis of an assessment of demand in the economy at the due time, the Migration Advisory Committee will be able to advise the opening up of tier 3 if it is necessary.

Q99 Lord Vallance of Tummel: I do not quite have an understanding of the answer to the longer-term question, whether you believe these are trends that are going to continue in the long term or not.

Ms Anderson: I think we would anticipate that while the economy is still in very good shape and is continuing to grow, we would see a demand for migrant workers from low- and indeed high-skilled workers continue. But quite whether we will see quite
the steep rise that we have seen in the last few years is a matter of some uncertainty.

Q100 Lord Paul: Has immigration had any effect on the employers’ incentives to invest in mechanisation and other measures to improve productivity?

Ms Anderson: I think employers are always focused on measures to improve performance and productivity. We certainly know that the number of low-skilled jobs is set to decline. Lord Leitch in his report suggested that the number of low-skilled jobs would fall from around 2.5 million jobs now to only around half a million jobs by 2020. That obviously is reflecting the fact that we are on the way to the more highly skilled, knowledge-based economy that we want so much. So I think that trend is already there; I do not think it is really to do with migrant workers. But, certainly, in those sectors where we have strong demand—in retail and hospitality, for example—you still need a high degree of personal service, and we are expecting the need for those customer-service skills to persist. We are not expecting mechanisation to take the place of what we know customers want, which is a personal touch, albeit by somebody who has good communication skills and hopefully a high degree of numeracy and literacy.

Q101 Lord Layard: Some employers, like Sainsbury’s, have described migrant workers as having a superior work ethic. What exactly do you think they mean by “work ethic”? Are they including willingness to take low pay and work longer hours?

Ms Anderson: I think you will have to ask Sainsbury’s what Sainsbury’s mean. We pick up more what we might call a “positive attitude”. I think all the evidence you have received from other groups will suggest that many of the workers coming in from countries such as Poland have a higher degree of skill or qualification level. If you use, for example, the age at which they left full-time school as a proxy for qualifications, certainly they are more qualified, and this is going to mean that they are keen to work. They often spend a period in a lower-skilled job brushing up their language skills, but certainly they want to work. I think some of the poor attitudes that our members sometimes talk about arise not because people want to work longer hours but when they are there they want to provide a high level of service. Whether that is in hospitality or catering or in a manufacturing environment, they really want to get on in their jobs. That is what I would describe as having a strong work ethic. It is not about the hours that you work, although obviously we are aware that, again, average hours worked by many migrant workers is longer than maybe UK-born nationals, but that may be because they are more interested in overtime than some of their counterparts.

Q102 Lord Layard: Does this not mean that the existing British workforce that might otherwise be employed has become disadvantaged by the arrival of these immigrants?

Ms Anderson: If you have the choice between two individuals, one of whom seems really enthusiastic about work, who wants to get on—and, again, a lot of the evidence is that people who arrive, taking a low-skilled job, then want to move up within a company—who wants to learn and wants to move on and wants to perform well, then you are going to chose that individual with that positive attitude. If those positive attitudes are coming more from the migrant worker than the UK-born, then I am afraid you are going to go for the migrant worker. We know what the solution to that disadvantage would be: a bit more enthusiasm from the indigenous worker.

Chairman: You did not give the straight answer yes; but it was jolly nearly yes.

Q103 Lord Sheldon: Despite the very high level of immigration, there is still a large number of job vacancies. It is more than half a million. There has been the same number of people seeking work since 2001, despite that level of immigration. How do you account for that?

Mr Carberry: The first factor to take account of is strong performance in the economy over the last 15 years. In the private sector, employment in the UK grew from about 21.9 million in 1999 to about 23.1 million in 2006, so, from that point of view, while there is a residual level of vacancy in the economy, there is clear upward movement in employment in the private sector. To an extent, these vacancies reflect the natural behaviour of a healthy labour market in terms of people moving where the demand is. As regards the level of unmet demand, there are a couple of policy points from my side of the table that I will make before I pass to my colleague, one of which is that unemployment has been at historically low levels recently, whereas we have had a real challenge in addressing levels of domestic labour market inactivity. The CBI strongly supported the conclusions of the Freud report and, in the long term, targeted action to address inactivity has to be a policy priority on employment levels.

Mr Simpson: Immigrants do not just plug existing holes in the labour market but they create new demands for products and services which are already available, but also those which cater to the immigrant population. So this will, in a dynamic economy, lead to creating new vacancies. They are not the same vacancies, obviously. The vacancies churn in response to the demands of the market place, and if that market place is augmented by immigrants—

Q104 Lord Sheldon: If the economy is so dynamic, should not the number of unemployed be reducing?
Mr Simpson: It is very low.
Lord Sheldon: Half a million. It has still been half a million since 2001.

Q105 Lord Lamont of Lerwick: Could I not suggest the answer is the one you partly gave, that staff creates its own demand, and the quantity of employment adjusts to the number of people available for work. If you justify immigration on the grounds that there are half a million vacancies, I would suggest that if you had unlimited immigration for ever, at the end of any period you would still have half a million vacancies. You cannot justify immigration in terms of trying to fill vacancies.
Mr Simpson: No. But.
Lord Lamont of Lerwick: It is a very important point.

Q106 Lord Griffiths of Fforestfach: I would like to ask your views about the Migration Advisory Committee, which suggests that it is going to advise the Government sensibly on labour shortages which could be filled by migration. What are your views on that and the criteria to use? I have to say, one thinks of this, in principle, as a planning body. Surely to figure out what the shortages short and long term are is a huge exercise in itself. How many dentists do we need? How many IT workers do we need? And then to ask the question after that: how many of these can sensibly be filled by migrants? Without wishing in any way to be ideological, it does seem an enormous task to ask a committee to do and I am wondering what your views are.
Ms Anderson: Clearly, the history of manpower planning in the UK is not exactly a strong one, so we understand your concerns.
Mr Carberry: We supported the points-based system in general—and I know your Lordships will turn to that in a moment—because we saw an attempt to look at the position of migration in the UK economy. From your own inquiry, you will have picked up the fact that data on the effect of migration in the UK started in a fairly sketchy place not particularly long ago. We see the Migration Advisory Committee as a key part of developing an evidence-based policy on migration and we welcome the appointment of David Metcalfe as chair of the committee. We think his experience on the Low Pay Commission, which is another body which takes a strategic look at the whole economy, will be very useful. We have said to the Government that we want the Migration Advisory Committee to adopt some of the behaviours that maybe we associate with the Monetary Policy Committee of the Bank of England, in terms of being seen as independent, as evidence-based, commissioning research, looking to develop better data around regional skill shortages, interacting with stakeholder bodies, like the Sector Skills Development Agency, the Sector Skills Councils, Future Skills in Scotland, the Bank of England and the Office of National Statistics, to try, on an incremental basis, to give us a better dataset, on which they as a body can then make recommendations to the Government. As a policy step we welcome the attempt to move towards more evidence-based policymaking in this area.

Q107 Lord Griffiths of Fforestfach: It is primarily the provision of better data that you see as the major benefit.
Ms Anderson: Not just for the Migration Advisory Committee, but in general we need better data. The fact that we do not have very good data at the moment is not good and certainly allows people to make assertions about the impact of migration, both negative and positive. We think better data is important, irrespective of having the Migration Advisory Committee, but we see the Migration Advisory Committee, certainly in the first instance, taking very much of a strategic overview and then working with the various bodies who have more of a brief and a mandate to look, for example, at skills shortages, such as the Sector Skills Councils, which cover all sectors of the UK. So pulling that together and taking advice from the relevant experts but, obviously, in order to do that good data has to be a pre-condition.

Q108 Lord Lawson of Blaby: Mr Carberry mentioned a moment ago that you supported the points-based system. Of course, it is clearly important to have a sensitive points-based system, not just any old points-based system. I do not ask you to answer this now; it might perhaps be useful if you could let us have a note on this. There are in the Government scheme five different tiers: highly-skilled, skilled, low-skilled, students and so on. In each tier there are various control factors, of which one—which you think in your written evidence is particularly important, and I would agree with you—is language skills. If you were advising the Government—and I am sure they would ask you for your advice—on what the relevant percentages should be of a fixed number of non-EEA immigrants divided between these tiers, and also of the various control factors, what percentage weight should be attached? Because the Government is going to have to do this to each different control factor, it would be very interesting for us to know what your answer would be.
Ms Anderson: We would not be in a position to give that answer today, but, as you have pointed out, it is a balance. You do have to introduce some fairly complicated weighting. As you rightly have suggested, we are not in a position to do that now. We would recognise that it has to be a balance between the

1 Note by Witness: Migration does answer specific shortages at the micro level for individual firms. We accept that this can’t be extrapolated to the macroeconomic picture on vacancies.
views of the employers and of the other interested parties, because we must be aware of the impact on public services.

**Q109 Lord Lawson of Blaby:** Could you, on reflection, let us have a note setting out your views of what you think might be a sensible weighting.

**Ms Anderson:** Yes, we are happy to do that.

**Q110 Lord Lamont of Lerwick:** Could I follow up on that. The points-based system assumes that the Government knows what sort of workers the country actually needs. This is really a decision that the Government should be making. Why not have something more market-oriented, such as the auctioning of different categories?

**Ms Anderson:** We see the Migration Advisory Committee advising on both sector and, indeed, skill levels. We see the Government listening to this committee—or, otherwise, why have it—and therefore taking advice from the various sectors that are experiencing shortages, whether that is low-skilled or, indeed, skilled. We see it very much acting in an advisory capacity, but I think at the end of the day these are decisions that have to be made by the Government and not just by employers.

**Chairman:** I think you will have gathered from the series of questions you have just been asked that there is some possible scepticism as to how well the Government can do this very difficult job. If the CBI were to give a bit of guidance as to how they think they might do it, we would appreciate it. I am not asking you to do it now, but if you would give us some indication as to how you think this thing should be set about it would be very valuable to us.

**Q111 Lord Vallance of Tummel:** Can we focus on Eastern Europe? The Government has claimed in the past that the great majority of immigrants from Eastern Europe are temporary migrants who come to the UK for a short period of time and then move on. Do employers share that view? Is there any evidence of a high turnover amongst Eastern European migrants? Are employers finding it difficult to retain migrant workers from that part of the world? What is your assessment of recent migrants likely to stay in the UK?

**Mr Carberry:** There are certainly advantages to circular migration, particularly around some of the agricultural schemes that have previously existed for migrants. Obviously, it makes economic sense for them to earn higher wages here and then to remit that money to spend in, for instance, Poland. Some roles lend themselves to that. The younger, more mobile demographic that we typically see among the A8 workers (the average age of a Polish worker in the UK is 34 and of a UK citizen worker is about 39) suggests that they are likely to be more mobile. Our members tell us that a lot of the jobs these people do have relatively high levels of turnover anyway and they do not see a great difference between the domestic and A8 workers. We do not particularly keep any data on length of stay.

**Q112 Lord Paul:** In your written evidence you are against granting the Romanians and Bulgarians free access to the British labour market because of what you say are social impacts of immigration. How should the economic impact of immigration be balanced against the social impacts when considering the immigration policy?

**Mr Carberry:** We were clear at the time, when we expressed an opinion last year on Bulgaria and Romania, that, as an organisation, we remained committed to the principle of free movement of workers. It was merely the fact that we had had a major accession in 2004 that we felt it was right to pause and look at the effect that had had. We heard the comments from our colleagues in local government about local authority funding and about allowing public services to adapt to new communities, and we felt that at that time, given the paucity of data about the total impact, it would be appropriate to use accession controls for temporary period. From that point of view, we erred on the side of caution, I think it is fair to say, in what we suggested government might do at that time, and we have joined the Migration Impact Forum very much with the hope that it, as a body, will help us find what that balance is.

**Q113 Lord Layard:** If we look at the economics of this and take the standard economic theory, in the short run one would think migration would be good for profits and bad for wages and one would think that in the longer run it would be neutral. As capital accumulated in proportion to workforce, you would think it would be neutral, in the sense that the profit rate would go back to a previous level and wages would go back to their previous level. But you are claiming something quite different. Those propositions were the ones we had put to us, if I may say, last week by people giving evidence. You are claiming something quite different, that migration actually increases—I think even in the short run—output per head. Are you saying that standard economic theory is wrong? Are you sure that it is not special pleading on behalf of a group who probably

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2 Note by Witness: Auction systems have some problems—namely they would still need some form of appointment system to avoid domination by larger or cash-rich business at the expense of the—possibly greater—need of SMEs. Politically, it would also be difficult for any government to pass the immigration issue to a market mechanism.

3 Note by Witness: CBI evidence did not state that there were proven GDP per capita benefits, rather that there were broader economic benefits. Ref: supplementary submission from the CBI.
have gained in terms of income and possibly at the expense of other people, namely business. **Ms Anderson:** We certainly think it has benefited the economy. Certainly I would accept that it has benefited business. I am going to leave my economist friend here to answer that question. That is why we brought him!  
**Mr Simpson:** I think there is a growing amount of evidence that immigration is net positive for economies. If you look at the accession of 2004 and the three countries that have been most open: Sweden, Ireland and the UK, our rates of growth have exceeded those in less open economies post-accession.

Q114 **Lord Lamont of Lerwick:** I think we need to be precise. Are you talking about growth of GDP or growth of GDP per head of population?  
**Mr Simpson:** Fair enough, growth of GDP. But, nevertheless, I would suggest to you that a healthy and dynamic economy is assisted better by willing recruits to the labour market, that can plug gaps in the existing labour market and also create new demand for labour themselves by their own demands for goods and services. It is not clear what impact on productivity statistics it has had, but I would suggest to you that the willingness of these immigrants to plug the gaps that locals do not want to take has independently held down prices and contributed to a lower interest rate than would otherwise have existed and the overall macro economic environment is therefore a positive one.

Q115 **Lord Layard:** You agreed with the five-point system for migrants applying to work in the United Kingdom. How will this meet the needs of employers?  
**Mr Carberry:** We did welcome the points-based system. One of the benefits of a points-based system is that it is quite flexible to what you want to achieve with your migration policy. I think that was evidenced by the fact that major parties seemed to coalesce around the idea at the time of the last General Election. One of the major facets of the UK’s migration policy has been its relatively organic development since 1971. This system has become diffuse and very confusing. There are a high number of different entry routes into work and it has become difficult for employers and migrants to understand. A points system offers some clarity and understanding of entry criteria. I can go on to the Canadian Government website and do the Canadian points test in ten minutes; I can understand whether I would be allowed to go to Canada. But, looking at Canada and Australia, we can also see that countries use the points-based system to achieve different ends quite effectively, so, as an idea, we back the points system on that basis. The other thing the PBS should offer us is a simpler interface for employers with the system. The Home Office and the Border and Immigration Agency are working on a model office that seems to be, to us, more effective. There are some clear issues around the points-based system, many of which were referenced by Lord Lawson and Lord Lamont, and we have been working through those with the Home Office over the last couple of months, but, in principle, the idea of a points-based seems to us to be simpler and easier for employers to work with.

Q116 **Lord Sheldon:** I would like to refer to a question I put to you earlier. With high levels of immigration there is still a large number of job vacancies. Surely they should have filled some of those job vacancies. The job vacancies have remained the same. Why is that?  
**Mr Simpson:** There will be a change in job vacancies. It would be alarming if they were exactly the same vacancies. The ebb and flow of the market place generates vacancies in particular regions that cannot be filled quickly, whether it be a hard-to-fill job or a job that is repeatedly advertised because no one satisfactorily holds it down or new vacancies created by new demand, possibly from the immigrants themselves. But you would expect in a dynamic economy some degree of friction between the needs of employers and the supply that is available. It is part and parcel of a growing economy. It would be a weird economy if there were no change in the vacancies. If the level of vacancies was very low, that would suggest to me a rather static economy.

Q117 **Lord Sheldon:** If there were not the levels of immigration, then you would accept that the levels of job vacancies would have declined. But it is the same, irrespective of that.  
**Ms Anderson:** There is always going to be a degree of labour turnover. Employers often want a degree of labour turnover because you always want to reinvigorate your workforce. It may be that you need to adjust the balance of your workforce. There are always companies that are having major recruitment campaigns, because they are opening factories or new shops or whatever, and you are going to have some companies that are sadly having to reduce the number of jobs. So a certain amount of turnover is both positive and inevitable in any economy and is a sign probably of health rather than a negative sign.  
**Lord Sheldon:** You are saying that the number of people coming in for employment has not affected the levels of unemployment at all.

Q118 **Lord Lamont of Lerwick:** And will not.  
**Ms Anderson:** No.  
**Mr Simpson:** We are talking about vacancies rather than unemployment.
Q119 Lord Sheldon: Well the vacancies are the unemployed, clearly.
Mr Simpson: No, not always.

Q120 Lord Lawson of Blaby: No, they are quite different.
Mr Simpson: It is a sign of a dynamic, vibrant economy that vacancies exist. As people have moved to more productive occupations, they create a vacancy. As a new position becomes available, that is a vacancy. It is quite healthy to have vacancies. Indeed, it used to be the case that the level of vacancies was correlated with GDP growth.

Chairman: I think we had better bring this session to an end, and I am very grateful to you, but, before we do so, there is one question and one comment which might be a question. First of all, we should have asked you and did not on the question of teaching of English and whether you think it is employers who should pay for it or somebody else who should pay for it, whether it should be paid for by taxation or in some other way. That is the first question. The second is that, whilst you have been very helpful to us, there is sort of dilemma, certainly in my mind. There is a feeling that migration is good for employment and so on and yet the CBI wants to see indigenous British workers take their place. If it is as good as you say it is, why the devil do you want it phased out?
Ms Anderson: Let us address the issue of language skills.

Chairman: That is the easier one.
Ms Anderson: That is the easier one, yes, while I am thinking of the answer to the other question. Clearly, the amount the Government has been spending on English for speakers of other languages has tripled. I think the figures are from around £100 million in 2000 to around £300 million in 2005. I think we would agree that part of that growth or a large part of that growth is due to migrant workers coming in from other European states and using the funding available that was probably designed to help members of the black and ethnic minority community who do not have adequate language skills. Our view is that, yes, employers who are benefiting and, indeed, employees who are benefiting probably should pay more, should accept that they have to pay more, if not all, of the cost of that language training. But I would make the point that if we look at groups of Polish and Lithuanians workers, for example, their standards of English when they arrive, with English as a second language, are much higher than somebody from the UK going to France, where they would have a very poor grasp of French because we do not do language training in the UK very well. In many states, whether Scandinavia or the A8, English is very much the language that everybody will learn and levels of skill are much higher than we would expect of the average UK worker. They start off with a higher skill level and in some of the stats, which I am happy to let you have, countries such as Slovenia, for example, do not just have English, they will have French or German as well. The UK, of course, is the tail-end Charlie when it comes to language skill, though we might have a smattering of very basic French or German if we are lucky. People arrive with a better skill level and, of course, there is nothing to replace immersion as a way of acquiring and brushing up on language skills. The fact that migrant workers are coming into relatively low-skilled jobs with some ability and they just move forward in leaps and bounds is not because necessarily they are having a lot of training courses but because they are immersed in the world of work and hopefully their communities too and therefore their language skills just move up. The fact that the Government is now devising much better fit-for-purpose language courses should help matters, because often employers and employees need conversation ability, so there are now more short courses available. I would applaud what the Government has done in terms of developing these courses. We accept that employers and employees, migrant workers themselves, should have to pay more for their courses, but we do think that many of the migrant workers coming to the UK, from the A8 countries in particular, start off with good language skills which can then be brushed up in the labour market.

Q121 Ms Susan Anderson, Mr Neil Carberry and Mr William Simpson

Chairman: I thought there was a slight dilemma in what you were saying right through the evidence. Your members welcomed migrant workers into this country because they produced things that employers needed and yet on the other hand you were also saying—which is perfectly understandable, but is there not a dilemma?—that this will be phased out because we will get our skill levels of our indigenous workers up and they will not really be so necessary. If it is as beneficial as it is to get migrant workers, why do employers want to get rid of them at all?
Ms Anderson: I do not think they do want to get rid of them. Indeed, that will not be possible anyway, because they will have rights of entry from the new as well as the older Member States. It is not that we want to get rid of them but we are saying that for those groups who are outside the labour market at the moment—because they are claiming incapacity benefit, for example, or those young people who never enter the labour market—we cannot afford a situation where, because they do not have the right skills, they
Supplementary memorandum by the CBI

What weighting should be given to the various control factors within the Points Based System (PBS)?

1. The CBI supports an approach to migration that balances the needs of the economy with social issues. Our support for the new points-based system (PBS) rests on it effectively delivering this balance. It is important to recognise, however, that the PBS will only cover about 73% of migrants in total—usually those with the greatest positive impact on the economy due to high employability or attendance at self- or sponsor-funded education. The CBI’s December 2007 London Business Survey will show that 74% of firms in the banking, finance and insurance sector employ highly-skilled migrant workers. For this reason, policy on the PBS should not be seen as a proxy for all migration policies.

2. The key benefit of a PBS is that it has the flexibility to adapt to the requirements of the labour market and the wider economy. The points test should be reactive to the labour market, through both the structure of the test itself and a retained Resident Labour Market Test in Tier 2 to insure against slow recognition of demand. The weighting given to the various control factors should be altered to reflect the needs of the labour market at any given time.

3. The CBI does not support the setting of annual target numbers for PBS migrants, as such annual quotas merely reflect a once-a-year “best guess”. Instead, the MAC and MIF should be used to guide the PBS’s use as an entry tool on a more flexible basis, with demand under more regular review. The weighting applied to the various control factors must be sensitive to the needs of each of the Tiers; a truly responsive system must take account of the different requirements of employers within the different tier bandings. For example, an employer looking to bring in highly-skilled sponsored staff (Tier 2) will place a different emphasis on certain values/control factors (eg language skills), than an employer looking to employ low-skilled staff (Tier 3). With this in mind Tier 2, in particular, must reflect the needs of employers closely so that they can match the right staff to the skilled positions within their firms. For this reason the job offer should carry a significant number of points.

4. The CBI believes it ought always to be possible to pass the points test on a combination of high skill level, adequate English and a job offer from a recognised sponsor with points awarded equally between these three. Additional points might then be awarded for other less important factors, such as age group. In Tier 1, more points should be added according to skill level. We are very concerned to ensure that the level of English test is appropriate, and in particular that it does not hinder intra-company transfers, which are vital to knowledge transfer in many of the UK’s leading businesses.

5. In the initial stages of the new system we support the decision to pause on Tier 3 (unskilled). Tiers 4 and 5 are not primarily business routes into the country. The CBI strongly believes that Tier 2 should be a demand-led route and, accounting as it would for a minority of migrants at the higher level of positive economic impact, be one of the less restricted routes aside from sponsorship requirements and the establishment of demand.

A long-term solution to skills shortages in the economy requires more than migration, which can only be a short-term fix

6. The CBI believes that migrant workers have had a beneficial effect on the UK economy by addressing immediate skills and labour shortages that would otherwise have constrained the economy’s capacity. However, the UK cannot rely on permanent net inward migration patterns; this is unsustainable for the UK and for countries of departure—which leaves the issue of resourcing shortages in the longer term unresolved. While not in a position to address firms’ short-term needs, because of skills needs and other problems, the high number of economically inactive UK-born people in the economy could provide a longer-term solution. This would be good for society as a whole, as well as the economy, but requires investment in skills and support for the UK-born workforce—in line with the findings of the Leitch and Freud Reviews—and extended working lives, so that actual retirement ages are more in line with the state pension age.

In your submission you said that migration has benefited the UK economy. However, we heard evidence last week that the effect on GDP per head—surely the crucial criterion—is broadly neutral. How do you respond?

7. The CBI does believe that migration has a beneficial impact on the wider economy in general; for example, by raising supply in the economy further than demand. However, we did not state in our evidence that the effect on GDP per capita is significantly positive. We do not agree that GDP per head should be necessarily seen as “the crucial criterion”.

8. Firstly, GDP is a measure of either incomes, output or expenditure (all inter-related) in the economy; it is likely that many migrants, particularly those that are filling low-skilled labour shortages, will earn less than the national average—the IPPR’s report suggests that Polish immigrants, the biggest migrant group after 1996, earn an average £15,750 a year (in comparison to a national average of £21,250)—and thereby bring down the “per head” figure. This does not reflect their value to the economy in general in supporting sustainable growth by filling vacancies in the labour market that would otherwise remain unfilled.

9. Secondly and closely tied to the previous point, research has shown that the impact of migrants on GDP per head is broadly neutral to positive. Iakova suggest that this profile will change as migrant populations integrate into the UK and take up higher paid roles.

10. Finally, as we have argued in both our written and oral evidence to the Committee, the figures for migration, while greatly improved, are still far from perfect. To be able to measure GDP per capita it is a prerequisite that the number of heads must be a known figure, yet there is not good, reliable data, leaving this figure as an estimate that is even more problematic than the estimated in-flow of migrants.

October 2007

TUESDAY 23 OCTOBER 2007

Memorandum by the National Farmers Union (NFU)

The NFU welcomes the opportunity to respond to this consultation on the economic impact of immigration. The NFU represents the interests of approximately 55,000 agricultural and horticultural businesses, many of whom will either directly or in-directly rely on the UK’s migrant work force.

As the vast majority of the migrant work force within agriculture and horticulture are from Europe our response will be targeted towards the affect that this group has on the economy. However, this does not preclude similar conclusions from being draw for those from outside Europe which are also employed within these businesses, or within the wider economy.

1. What are the numbers and characteristics of recent immigrants—age, gender, country of origin, immigration status, duration of stay, skills and qualifications? How do the characteristics of EU migrants differ from other migrant groups? What are the expected future trends for immigration from within and outside the EU?

The NFU estimates that just over 15,500 A8 workers were employed within UK agriculture and horticulture in Q2 2007, with a further 7,000 employed within the food, fish and meat processing sector. The age and gender of immigrants employed within horticulture, as within other areas of the economy, has been shown to be biased slightly towards males (57%) of a younger age (65% 34 or below). Similar figures are not available for agriculture, however more general Home Office figures2 for the A8 countries which will include the vast majority of agriculture’s migrant labour show similar trends of 58–59% male, and 82% aged 34 and below.

Table 1

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>57</td>
</tr>
<tr>
<td>Lithuania</td>
<td>20</td>
</tr>
<tr>
<td>Latvia</td>
<td>12</td>
</tr>
<tr>
<td>Slovakia</td>
<td>6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>3</td>
</tr>
<tr>
<td>Hungary</td>
<td>1</td>
</tr>
<tr>
<td>Estonia</td>
<td>1</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Home Office Border & Immigration Agency

The origin of A8 agricultural workers is dominated by Poland, Lithuania and Latvia, which as members of the EU have full free movement rights, and rights to work within the UK. Within the horticultural sector the picture is slightly different due to the role of the Seasonal Agricultural Workers Scheme (SAWS), which until 2007 provided more restrictive access to workers from other areas of Europe. Table 2 shows that in 2005, Russia, Ukraine and Belarus (combined) were the third most important source of seasonal/casual workers, with a quarter of all horticultural businesses recruiting from these countries.

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It is our strong belief that migrant labour within specific sectors such as agriculture and horticulture provide a short term opportunity for those from transitional economies to experience work within western countries before returning to their home countries. As such it should be considered separately from the issue of long term migration. This view is supported by the Home Offices figures for A8 countries which show that over half (56%) intend to stay for less than three months, and that only 9% intend to stay for more than two years.

Due to the nature of the work which migrants undertake within agriculture and horticulture, much of which is manual labour, skills and qualifications are relatively less important than aptitude and a willingness to work. In many cases migrant workers are undertaking jobs which the domestic workforce is unwilling to do. However there is increasing anecdotal evidence that for migrants with sufficient motivation there are growing opportunities within supervisory and managerial roles.

As agricultural and horticultural recruitment is mostly limited to within Europe it is impossible for us to make comparisons with other areas of the world; however we can make comment on EU vs. non EU workers. Information provided to the NFU by a SAWS operator (soft fruit) comparing the productivity of workers from different countries showed that in 2006, 62% of their workforce from Russia, Ukrainian and Belarus meet their target work rates, compared to just 45% of those from within the EU. This helps explain the success of the SAWS scheme amongst growers, and the concerns over plans to limit the scheme to just Romanian and Bulgarian workers from 2008.

### Table 2

**HORTICULTURAL RECRUITMENT**

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>54</td>
</tr>
<tr>
<td>Latvia/Lithuania/Estonia</td>
<td>28</td>
</tr>
<tr>
<td>Russia/Ukraine/Belarus</td>
<td>25</td>
</tr>
<tr>
<td>Hungary/Romania/Bulgaria</td>
<td>20</td>
</tr>
<tr>
<td>Czech Republic/Slovakia</td>
<td>14</td>
</tr>
<tr>
<td>Elsewhere in Eastern Europe</td>
<td>13</td>
</tr>
<tr>
<td>Western Europe, other countries</td>
<td>10</td>
</tr>
<tr>
<td>Not stated</td>
<td>19</td>
</tr>
</tbody>
</table>

*Source: Horticultural Development Council*

### Table 3

**INTENDED LENGTH OF STAY**

<table>
<thead>
<tr>
<th></th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 months</td>
<td>56</td>
</tr>
<tr>
<td>3 to 5 months</td>
<td>2</td>
</tr>
<tr>
<td>6 to 11 months</td>
<td>3</td>
</tr>
<tr>
<td>1 to 2 years</td>
<td>4</td>
</tr>
<tr>
<td>More than 2 years</td>
<td>9</td>
</tr>
<tr>
<td>Don’t know</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Home Office Border & Immigration Agency*

### Table 4

**UK HORTICULTURE MIGRANT LABOUR 2008**

<table>
<thead>
<tr>
<th></th>
<th>SAWS (A2)</th>
<th>Other (A8)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required # workers</td>
<td>16,045</td>
<td>14,185</td>
<td>30,230</td>
</tr>
<tr>
<td>Expected # workers</td>
<td>15,570</td>
<td>9,530</td>
<td>25,100</td>
</tr>
<tr>
<td>Difference</td>
<td>-475</td>
<td>-4,655</td>
<td>-5,130</td>
</tr>
<tr>
<td>% Difference</td>
<td>-3%</td>
<td>-33%</td>
<td>-17%</td>
</tr>
</tbody>
</table>

*Source: NFU Survey of Agencies/SAWS operators*
It is generally accepted that the supply of new workers to agriculture and horticulture from the A8 countries reduced during 2006 (total applications to agriculture/horticulture down by 12% [-2,800 applicants] on 2005). During 2007 this trend looks to have continued with the total number of applicants down by 21% (-1,615 applicants) during the second quarter of 2007 as workers transfer to other sectors to take employment in the UK or remain in their home countries to work.

Current indicators are that this trend will continue during 2008; a recent NFU survey of agencies and SAWS operators within the horticultural sector has forecast a shortfall of over 5,000 workers. Beyond 2008 as the economies of the A8 countries continue to expand taking standards of living and job creation with it, we expect that the numbers of migrant workers will continue to decline. This will bring pressure on those businesses that rely on this labour and create further demands for immigration from outside of the EU’s borders.

2. In what sectors and occupations are immigrants employed? How do migrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers? What determines migrants’ performance and integration in the UK labour market?

In 2006 19,900 A8 workers registered agriculture/horticulture as their intended employment source, this made it the third biggest employment sector after “administration, business and management” (99,220) and “hospitality and catering” (38,675). In addition food/fish/meat processing was the fifth biggest employment sector receiving 10,640 applications, and retail was the seventh biggest (9,920 applications), showing the importance of the migrant labour force across the UK food supply chain.

Although there is little information available regarding rates of pay for migrants across the whole of agriculture, we know that in the horticultural sector the average hourly wage for casual/seasonal staff (the vast majority of which would have been from Eastern Europe) was £5.90/hr (2005). This was well below the national average for the same year (£10.69/hr), and confirms the view that migrants perform tasks, at rates of pay, which most domestic workers would be unwilling to work at. As an example less than 10% of the national work force received less than £6.00/hr in 2005, showing that even if there was some degree of substitution of domestic labour (of which we believe there to be very little), the impact would be limited to a relatively small number of low earners.

3. Why do employers want to hire immigrants? Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why? What is the impact of immigration on mechanisation and investment in technical change? What are the alternatives to immigration to reduce labour shortages?

Employers within the agricultural and horticultural sectors, along with those further down the supply chain (ie food processors), have hired migrant workers as it has become increasingly difficult to recruit a domestic workforce in recent years. Jobs in these sectors often involve hard physical work and long hours and the domestic work force has been generally unwilling to undertake this work and has sought alternative employment. Add to this the seasonal nature of horticultural production in particular, where peak planting and harvesting periods may only last a few months, and it becomes almost impossible to attract a full time domestic work force. However it must also be said that migrant workers are an attractive source of labour to UK employers because of their work ethos, efficiency and dependency and because, particularly in the case of the SAWS, they provide a source of labour that is guaranteed to remain on farm during the crucial harvest period.

Anecdotal evidence suggests that migrant labour has become important to almost every sector of agriculture either directly (eg herdsmen within the dairy industry) or in-directly (eg by working in the hatcheries which supply chicks to poultry producers). However it is within the horticultural sector where the dependency is most evident. In 2005 81% of soft fruit growers, 67% of top fruit growers and 60% of field vegetable growers all employed seasonal labour from abroad. Add to this the importance of labour within these businesses total cost structures (labour equal to 36% of total costs across all horticultural businesses), and it is evident that...
the loss of this source of highly productive and relatively low cost work force would have a devastating impact on an industry which contributes an estimated £1 billion\(^9\) gross value added (GVA) to the UK economy.

Agriculture and Horticulture are both mature sectors with relatively slow rates of technical change; as such immigration is unlikely to substantially delay the introduction of new mechanical techniques. If fact there are some good example of how mechanisation has been used in conjunction with migrant labour to optimize efficiency. For example, the use of harvesting rigs in field vegetable (and increasingly soft fruit production), which allow workers to concentrate on harvesting/picking operations which can not be replicated by machine, whilst the rig collects and transports the harvested crop to the fields edge for onward transport to the packhouse.

At present there appear to be few alternatives to immigration if we are to prevent a labour shortage which would have a damaging impact on the horticulture industry.

4. What impact has immigration had on the labour market, including wages, unemployment and other employment conditions of the UK workforce, and has it differed for skilled and unskilled employees? How does the minimum wage affect the impact of immigration?

Please see question 2 for our views on the limited impact of migrant labour on the domestic market; this is supported by recent studies\(^{10}\) which have concluded that there remains little evidence of a significant impact of immigration generally on domestic employee’s wages. Although there is some evidence that migrants low wages have held down the average earnings figure, this in itself does not mean that domestic earnings are not rising, with estimates suggesting that the total affect is broadly around 0.1 percentage points over the past two years.\(^{11}\) The NFU’s view is that if immigration did have any small impact on wages or unemployment within the unskilled sector, that this is best resolved through other social policies (i.e education and training). Any reduction in immigration would simply harm the economy and prove to be an inefficient way to assist low-wage domestic workers.

Wage rates in agricultural and horticulture are set by the statutory Agricultural Wages Board and as such is unique in the economy in setting minimum rates of pay and conditions across a range of graded positions. These rates of pay prove sufficiently attractive to migrants to encourage them to want to work in the agricultural and horticultural sectors.

5. What is the economic impact of illegal immigration, including on employment, wages and the fiscal balance?

The very nature of any illegal activity means that information surrounding its impact will always be limited in availability and accuracy. Whilst there may be some illegal employment in the agricultural/horticultural sectors the NFU’s view is that it will be limited; partly thanks to the success of legitimate schemes such as the SAWS.

In the future the only reason for any significant increase in such illegal activity would be if legitimate sources were prevented from meeting the demand for migrant labour.

6. What is the economic impact of a net change in the UK population? If there is a net increase, does the impact differ when this comes from higher immigration rather than from changes in birth and death rates?

The NFU’s view that the economic impact of increased immigration and population will be positive should be both uncontroversial and unsurprising, as an increase in total workers yields an increase in total output. It is also well accepted that migrant labour makes relatively fewer demands on our welfare system (98% of all national insurance numbers for migrants from the A8 countries having been allocated for employment purposes vs. just 0.9% for benefit purposes\(^{12}\) due to their age and health. In addition immigrants tend to complement rather than replace domestic worker skills, and move to areas of employment and “filling gaps” in a way which the domestic workforce is less willing or able to do.

\(^9\) Defra/NFU Calculations.
\(^{10}\) "The Impact of immigration on the British labour market" Economic Journal, 115 (November), F324–341.
\(^{11}\) UK Economic Outlook, March 2007—Price Waterhouse Coopers.
7. What has been the impact of immigration on key macroeconomic indicators: GDP and GDP per head, unemployment, productivity, investment, inflation and asset prices especially housing? Do the economic effects of immigration vary over time?

Although we are not in a position to provide specific evidence, the NFU supports the generally held view that immigration (particularly short term seasonal migration) is positive for growth (GDP) whilst helping to control inflation. For example, Professor David Blanchflower of the Monetary Policy Committee (MPC) recently argued\(^1\) that the rapid increase in migration from Eastern Europe to the UK following EU enlargement in 2004 has boosted the supply potential of the economy relative to demand, so reducing inflationary pressures and the need for higher interest rates. In addition we would like to point out that migration has previously been estimated to contribute 0.4% to GDP, and was responsible for the Treasury increasing its expected future GDP growth trend from 2.5% to 2.75%.\(^2\) Regarding asset prices, especially housing, increase are considered to be driven by domestic buyers (rather than immigrants) in a market where supply consistently fails to meet demand. As such the growing number of A8 workers registering within the construction industry (5,185 in 2004, 7,255 in 2005 and 9,010 in 2006) should be considered a positive influence on the market, by helping to increase supply.

8. How does immigration affect the public finances? Do immigrants contribute more in taxes than they use in public services? As the UK population ages, does immigration affect the shortfall in pension funding?

As noted in the answer to question 6 migrants within the agricultural/horticultural sector, most of which come from the A8 countries, are considered to be net contributors to public finances. In entering the economy at working age they are making an instant contribution to the economy without the costs associated with having been born and educated in the UK (medical, education costs etc). Equally most (see answer to question 1 above) will return to their home countries long before retirement, meaning that they will not burden the host country with the costs associated with old age (ie pensions, health etc). Regarding the aging population and the UK’s pension shortfall, whilst migrants who chose to return to their home countries before retirement are by default net contributors to the state pension scheme, they should not be relied upon to fill the long term pension’s gap.

9. How has immigration affected public services such as health care, education and social housing? How has this varied across the country?

As noted above, in the vast majority of cases, migrants are considered to make few demands on the welfare system. Where there have been notable additional demands on our public services they have been localised to areas with specific industries/companies, which have become reliant on a migrant work force. As such, these areas economies rely more than most on the contribution made by immigration, and their public services should be assisted in adapting to meet these growing or new requirements. There is also anecdotal evidence that migration has contributed to the maintenance of some public services (eg education) because the children of migrants have used local village schools contributing to the maintenance of this vital service in the rural economy.

10. How does the impact of immigration vary across different regions of the UK?

There is little information available regarding the regional impact of the migrant work force within agriculture, however within horticulture the picture is a little clearer. Most migrant workers are centered in areas of soft fruit and field vegetable production, as such over half (54%) are estimated to be within the South East and East Midlands.

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>31</td>
</tr>
<tr>
<td>East Anglia</td>
<td>16</td>
</tr>
<tr>
<td>East Midlands</td>
<td>23</td>
</tr>
</tbody>
</table>


\(^2\) UK Economic Outlook March 2007—PricewaterhouseCoopers.
11. Are there any relevant parallels and lessons for the UK from the economic impact of immigration on other OECD countries?

The economic impact of immigration within other OECD countries will vary depending on the type of immigration, their level of employment, industrial structure etc. However a useful parallel can be drawn with the USA, where immigration has contributed to long running growth (above the levels seen in the EU) at controlled levels of inflation. Foreign-born workers accounted for 15% of the US labour force in 2006, and have accounted for about half the growth in the labour force over the last decade. Despite these high levels of net inward migration (significantly above that of the UK), a recent study by their government’s Council of Economic Advisers found that “immigration has a positive effect on the American economy as a whole and on the income of native-born American workers”.

Key findings

1. On average, US natives benefit from immigration. Immigrants tend to complement (not substitute for) natives, raising natives’ productivity and income.
2. Careful studies of the long-run fiscal effects of immigration conclude that it is likely to have a modest, positive influence.
3. Skilled immigrants are likely to be especially beneficial to natives. In addition to contributions to innovation, they have a significant positive fiscal impact.

12. How do differences in migrants’ skills affect the economic impact of immigration? Does immigration fill skill gaps? What impact, if any, has immigration had on education and training? What is the relationship between the Government’s migration policies and labour market policies?

Whilst there is some indication that skilled workers have a greater economic impact than unskilled (see answer to question 11), this should not detract from the contribution made by those unskilled workers within the agricultural/horticultural sectors. UK agriculture contributed £5.2 billion to the national gross value added (GVA) and provided employment for a total of 541,000 people. Many of these businesses rely on the contribution of migrant workers, so that domestic workers can concentrate on higher value supervisory and managerial tasks. In addition agriculture/horticulture provides many of the raw materials required within other areas of the agri-food sector (food & drink manufacture, wholesale, retail and catering) which added a further £68.4 billion to the nation’s economy, and generated some 3.6 million jobs (14% of all employment in the UK), much of which may be lost without the contribution of unskilled migrant labour.

13. How can data on immigration be improved? What improvements are already being put in place? To what extent have “inadequate data” affected public policy? How confident can we be in forecasts of future immigration and how important is it that such forecasts are accurate?

Currently the Home Office Border and Immigration Agency (along with the Department for Work and Pensions, HM Revenue and Customs and Communities and Local Government) report the number of workers from the A8 countries that apply to work in the UK rather than the actual number (net migration) within the countries workforce. This has the effect of exaggerating the scale of migration within the media and the general public’s understanding. As an example during 2005 the total number of A8 workers registering in the UK was 204,965, however as this figure fails to account for those who stay only for a short period of

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16 Defra—Agriculture in the United Kingdom 2006.
time before returning to their home country, it grossly exaggerates true underlying immigration figure of 64,000.\textsuperscript{18} Whilst we understand the reasons for the reporting of “application” figures, improving the data by also including a net migration estimate would help prevent the situation from being high jacked by those with an anti immigration agenda.

As much as accurate data is required, far more effort must be put into defining the cultural, social and economic benefits of migration.

14. How do the Government’s policies, including immigration and labour market policies, affect the scale, composition and impacts of migration? How will the points system for immigrants from outside the EU operate? How will the Government decide where there are skill shortages in the economy as the basis for its points system? What has been the international experience, eg in Australia and Canada, of such a points system? How will the Government respond to employers asking for non-EU workers to fill low-skilled jobs?

The government’s policies and controls over long term immigration, and the need to fill specific skills shortages, should be considered separately from the need for short term seasonal labour in sectors like agriculture and horticulture. As such it is important that successful long running schemes like SAWS are allowed to continue operating in their existing form, without becoming unduly burdened by excessive bureaucracy.

It is important that the Government is able to separate immigration from the short term seasonal demand for labour which is required by the horticulture and agriculture sectors. Recent Government changes to immigration policy affecting A2 workers, has led to a negative impact on the operation of the seasonal agricultural workers scheme (SAWS). In turn this has affected the availability of workers for the horticulture industry during the 2007 harvest affecting the ability of this sector to supply produce to British supermarket shelves.

Our understanding is that the Migration Advisory Committee will inform Government policy on skills shortages in the economy, although final decisions will be made by Ministers. While we welcome the establishment of an independent group of wise people, we are concerned that the time lag between accepting that there is a skills or availability shortage in the economy and amending policy will lead to difficulties for sectors such as horticulture where the availability of labour during the busy harvest period is crucial.

15. Should more be done to help immigrants boost their productivity in the UK?

Horticultural businesses already fund research, via the Horticultural Development Council, into increasing the productivity of seasonal workers. Government assistance towards the costs of this work would enable a much greater investment to enable horticultural businesses in the UK to remain competitive.

28 September 2007

Examination of Witnesses

Witnesses: Mr Peter Kendall, President, National Farmers Union, Mr Richard George, Economist, National Farmers Union, Mr Tom Hadley, Director of External Relations, Recruitment and Employment Confederation, and Mr Stephen Ratcliffe, Chief Executive, Construction Confederation, examined.

Q126 Chairman: Good afternoon, there are at least some familiar faces I see; you are all welcome. As you know, we are conducting an inquiry into the economic impact of immigration and you have very kindly come along to help us. Some of the questions that we are going to put will be more directed to one group of you than the other, but if somebody feels free to say so. Is there anything you want to say at the beginning in the way of an introductory statement or are you happy to go straight on with the questions? Mr Ratcliffe: I am happy to go straight into the questions.

Q127 Chairman: If I may start with quite a general question, how do you assess the future demand for skilled and low-skilled labour in your respective sectors and what do you expect to be the role of migrants in meeting this demand? Mr Ratcliffe: Shall I start? I am Stephen Ratcliffe, chief executive of the Construction Confederation. Probably the first thing to say is that construction as an industry has grown quite significantly in the past decade. We have seen output increase in real terms by about 30%, so the industry has seen a huge increase, particularly in public sector investment in new schools, hospitals and the like, and we see that rate of

\textsuperscript{18} Office National Statistics—International Migration (#32).
increase going on forward into the next three to five years at least. In terms of how that impacts on the labour force, we reckon from economic surveys that we have done that we probably need about 87,000 new recruits a year merely to stand still and fulfil the commitments that we have got. Quite a lot of that is coming from indigenous workers, from apprenticeships, from bringing older people into the industry, but certainly we have increasingly depended on migrant labour. There is probably nothing very unique or new about that: in the Sixties and Seventies we drew on Irish workers and we also saw our own people going across to Germany—you will remember the TV series *Auf Wiederschen Pet*, so as an industry we have always had a very mobile workforce. In our current economic trends survey we have seen that there are still quite significant shortages in skilled trades—plasterers, bricklayers, plumbers and the like—and although there are no absolute figures we reckon that probably about 6% of the workforce at the moment is coming mainly from Eastern Europe, probably much higher in London and the South-East than elsewhere in the country. Certainly, anecdotal evidence is that on some London sites you can have up to about 30% of workers coming from mainly Poland, Hungary, Czechoslovakia.

**Q128 Chairman:** 87,000 you mentioned as the sort of increase each year and you say 6% of the workforce; how much of the 87,000 would you expect to come from overseas?

**Mr Ratcliffe:** At the moment in terms of new apprenticeships we are probably training about 20,000 new apprenticeships a year although I think that figure is going to increase quite dramatically next year. We are also getting a lot of people coming in as adults, but I still think that probably 10% of that figure per year is coming in from overseas.

**Q129 Chairman:** 10% from overseas, about 8,000 a year.

**Mr Ratcliffe:** Yes, but it is quite difficult to get a handle on the figures, not least because some are coming in not in direct employment but coming in as self-employed. There is a very high level of self-employment in construction; it is probably one of the highest industries for self-employment, probably about 40% of the workforce is self-employed.

**Mr Hadley:** Tom Hadley from the Recruitment and Employment Confederation. We represent recruitment agencies across all sectors in the UK; that includes temporary work agencies as well as permanent recruitment. We do a monthly report on jobs which we are happy to share on a regular basis in conjunction with KPMG, which tracks demand from employers in all different sectors. What we are finding now and we envisage in the future is that there are sectors where there are on-going skills needs, which corroborates the information we have just heard, and in particular construction and engineering are two sectors where there are needs and we expect them to continue. But it is not just your higher skilled areas, and some of the areas where we envisage a need to continue are areas like social care, catering; drivers, for example, are an area where we see a big demand. There will be a role for migrant workers to help fill those gaps. We recognise there is a responsibility on employer groups like ourselves to promote careers in these sectors where we are not having enough people to fill the gaps and that has to happen in parallel. One of our concluding remarks when we talk about migrant workers is that we are always very keen to really define what we mean and for us migrant workers includes EU nationals coming over as well as those that come from outside the EU. But we do have some concerns because the presumption seems to be that within an enlarged EU there is going to be less need over the next few years for it coming from outside the EU to come in, and that is perhaps something that our members are concerned about; we are not quite sure that that will be the case. I think there will be an on-going need for it coming from outside the EU coming into the UK as well as increasing recruitment of EU nationals.

**Q130 Chairman:** Have you got a handle as to how many jobs you would like to be filled from outside the United Kingdom?

**Mr Hadley:** It is not a question of like. Recruitment professionals would like to find any sort of candidates they can to fill which is why, ideally if you can recruit on your own doorstep, that is better if it is candidates with a full skills set. We do not play a numbers game, we do track the demand from employers. Sometimes that means having to go and recruit overseas although I would say the vast majority of placements of migrant workers are people who are already in this country. It is still relatively rare, although it does happen, for our members to go and do a proactive recruitment campaign overseas because that is very time-consuming. So mostly it is people who are already in the UK who are placed by our agencies.

**Mr Kendall:** Peter Kendall, president of the National Farmers Union, and Richard George, one of our economists at the NFU. I would like to make a reference to short-term low-skilled workers. The Seasonal Agricultural Workers Scheme, which has been a phenomenally important part of the horticulture and vegetable sector, soft fruit and top fruit parts of the industry—we believe that the winding-down and the removal of the SAW Scheme will have an enormous impact. Although there are a...
lot of pictures of rotting fruit that has been picked and harvested and gone to waste there are strong examples from our members where we have had problems gathering fruit this year as we have seen the numbers of SAWs students being limited. We think there is a big need to have a continuation of the scheme allowing us to pull in low-skilled workers on a short term basis from outside the enlarged EU and we believe that we can do that without having similar sorts of problems that wider spread immigration has because these people come on a short term contract, they are very carefully monitored. Already there have been 15,000 SAW scheme students, temporary low-skilled workers, coming into do the harvest of the different types of agricultural production and we would be very nervous if that was unwound. It is not a plea for extension for immigration for high-skilled workers; this is very much wanting some support for the Seasonal Agricultural Workers Scheme, which we think has a very different role to wider immigration.

Q131 Lord Sheldon: This is a question to the National Farmers Union. You say that immigration and skills shortages should be looked at separately from areas like agriculture and horticulture with seasonal labour. Why should these matters be considered separately?

Mr Kendall: Although agriculture has seen a massive downturn in the number of people working within it, we are finding that people who are coming to work in agriculture in the skilled part of it quite refreshing — there is an upturn of optimism about agriculture. But the temporary short term employment of gathering fruit and vegetables, as I touched on, is a very different issue for us. There is almost a disincentive through some of the welfare schemes, so that people coming and working temporarily on farms then lose benefits and this causes a real disincentive for people to come and do that sort of work. Also, it is quite arduous. I used to work as a Brussels sprout harvester on our farm in Bedfordshire. It is back-breaking work and we find it is very difficult to draw people from students in the UK to do that work and we are finding success both before the enlargement of the EU from those countries looking to learn and experience the English way of life but also good workers that help us gather in the harvest. We think there is a big distinction between that short-term temporary work and long-term skilled migration where we do not see the same challenges.

Q132 Lord Sheldon: In agriculture and horticulture there is still the need for skilled people presumably.

Mr Kendall: Absolutely but my point, I would say, is that I am seeing a revival of interest in agriculture in the wider skilled sector. I need people who are almost computer specialists to operate the machinery we operate now — we operate machines that are very, very technically advanced — and I want skilled operators. But my concern is that the wider immigration issue is impinging on the SAW Scheme that has provided the absolutely critical short-term, temporary, low-skilled workforce for agriculture.

Q133 Lord Layard: Going on about that, I can see that maybe it is difficult to get British workers, but why is it so difficult for workers from the new accession countries to come and do this sort of work, however back-breaking it is. Another question, going back to what you said about the scheme, what do you know about whether everybody goes home and what the checks are that everybody goes home of the non-EU migrants?

Mr Kendall: I would like if I could to submit exact figures on that but certainly all the evidence we have had is that it is a very successful scheme that has incredibly high percentage rates of returning students, who have participated in SAWs. The SAWs return rate is 98.8% of students returning correctly.

Q134 Chairman: That was a figure worth quoting.

Mr Kendall: On the back of that, the slippage occurs because some people are coming from the EU 27 and therefore they do not have to return, but even on the back of the 98.8% I think that is a staggering strong record for the SAW Scheme. Why we do not find there is sufficient access already from the enlarged EU for our low-skilled workers is, I think, we know already that some countries are actually trying to entice workers back. We are already hearing of schemes in Poland where people are being encouraged to go back and seek employment in those countries, but also the longer these countries have been involved in the EU the more they look for higher value work, and we are struggling at the moment to pull all the students we require from the accession countries. But the proposals currently are that we will have to have all our students next year from just Bulgaria and Romania and that is too tight a restriction to get the requirement we need.

Q135 Chairman: I wonder if you can help me a little bit. Why once you have got them is it difficult to retain them on farms?

Mr Kendall: It is actually for a short period of time. Are you talking about the existing EU members’ students?

Q136 Chairman: Yes.

Mr Kendall: There is an issue about them not wanting to come any more actually because the restrictions for the new SAW Scheme from next year
are that 100% of our students will have to be from Bulgaria and Romania. That is very restrictive and we are finding a real challenge in sourcing the number of temporary, low-skilled, harvesting labour from those countries, so we need to have access to countries outside the EU.

Q137 Lord Paul: My question is really one for Mr Ratcliffe, but if any of you want to join in, please do so. UCATT, the construction union, has argued in written evidence to us that more apprenticeship places must be offered to young people in the construction industry. How does immigration affect employers’ incentives to provide apprenticeship places to young British workers?

Mr Ratcliffe: The straightforward answer is that it does not. There is a whole host of issues around apprenticeships and I think the first issue I would raise is that the industry has a rather poor public image. Its health and safety record has not been brilliant with 77 deaths this year. It is probably one of the last of the dirty trades, if you like, or at least that is the perception of construction. It is also one of the few industries that has its own statutory training board, CITB Construction Skills, so one of the things we have been doing over the past three to five years is mounting a positive image campaign about all the myriad of opportunities available to people in construction. That has paid off rather better than we had hoped and I think the other factor in all of this is that we have had very stable economic conditions over the last decade. We are also seeing companies entering into framework contracts with clients so they have a long stream of work, perhaps lasting four to five years, so that they can plan apprenticeships in a much better way. We have therefore actually seen over the past few years more and more youngsters actually applying for apprenticeship posts in construction. We have seen a bit of a mismatch because the numbers have been a bit low in previous years of contractors being able to offer work placements for these people, and that is something which we are working on at the moment, just to give you one example. In relation to the Olympics, 14 major contractors have pooled resources together and amongst their supply chain are offering 1000 apprenticeship placements and 1000 adult training opportunities over the lifetime of the Olympics. That is not just confined to the stadium, the swimming pool et cetera; it applies to projects in the whole of the London area.

Mr Hadley: If I could perhaps corroborate that from the feedback of recruitment agencies specialised in the construction sector. We are seeing both things happen in parallel; there is often an urgent need for workers which does necessitate some recruitment overseas or certainly opening the door for nationals from beyond the EU sometimes, but we are also seeing a genuine desire to upskill in the UK and almost to sell careers. To give you one practical example, there are agencies on our books who are working with South Bank University, who have a scheme in construction, giving them that first assignment which gives you the practical experience and then you can develop a career within that sector; and certainly our members are very aware of their responsibilities and the long-term benefits of playing an active role. So we are seeing both the migrant workers and trying to train up people within the UK as things that can work in parallel.

Q138 Chairman: When somebody says to me “I have a plumbing business, why do I have to bother to train a plumber if I can get a fully qualified plumber from Poland,” you are indicating that that is not a common situation. But are you able to give us any figures—not necessarily today—to demonstrate the rate at which you are training construction workers over the years?

Mr Ratcliffe: We can certainly give you some figures. In terms of craft apprenticeship placements we are talking about 7000 or so per year. I could probably give you some more detailed information because CITB Construction Skills do publish it. The reason why the plumbers here would want to train up local people is that the construction economies in Europe, particularly in Germany and in Poland, have been in the doldrums and it would be very easy if those economies were suddenly to take off to see quite a lot of these people going back, so there is a sustainability issue here which we are very mindful of.

Q139 Lord Vallance of Tummel: Staying with the construction sector for a moment, what is the proportion of self-employed persons in the total workforce and how does that compare with the migrant workforce. What is your assessment of the proportion of bogus self-employed persons and how do the earnings and employment conditions of self-employed persons compare with those of employees?

Mr Ratcliffe: First of all, the proportion of construction workers in self-employment is about 40%, who are legally self-employed rather than bogus self-employed—there is obviously a definite picture in that. We simply do not know what proportion of migrant labour is self-employed, although I think people coming in from Romania and Bulgaria probably would be working under self-employed status as opposed to under PAYE. Bogus self-employment certainly is a problem in the industry and has been a problem in the industry for a number of years. But there is a new construction industry tax scheme which came into play in April of this year
which means that rather than people passing loads of paper vouchers around is all computerised and so companies are having to put in monthly returns of their workers, classifying people as to whether they are employed or self-employed, so I think over the course of this year we will see some better information coming up. There are also pretty huge penalties for people who misrepresent those returns, so I would see the new CIS regulations as being a means of tackling bogus self-employed. The other point I would just make is there is a grey economy in construction. There is the so-called cowboy builder and people knock and ring doorbells and are saying to people they will do the job for cash only. It is almost a part of the industry. It is not our part of the industry—I represent major and bona fide contractors—but it is a problem, it is an issue and it is an issue that we have talked to the Government about for at least the last 30 years as to how one can eradicate it. No one has yet come up with a magic wand to work it all out.

Q140 Lord Vallance of Tummel: The issue about relative earnings and employment conditions as between self-employed and those who are employees? Mr Ratcliffe: Obviously, those who are self-employed are getting higher gross pay, probably about 10% higher. It is probably worth saying that the industry has a working rule agreement, an agreement which we operate and negotiate with the three principal construction trade unions, UNITE and UCATT being the two main ones. It is a three-year agreement which covers pay, conditions, how much health and safety equipment we will pay for, holiday pay and this sort of thing. Certainly within Britain and north of the M62, people tend to follow this working rule agreement almost to the letter. The further south you come, it is more of a free market, but certainly given the skill shortages at the moment we are seeing people pay more than the working rule agreement rate rather than less. Where I concede that there is a problem is in this grey economy, where I can envisage people coming in as self-employed, maybe from Romania or wherever, who are working for very small companies and who may well be vulnerable. If someone is working on a typical construction site in London, they will be treated as indigenous workers would be treated and they will be seen to be treated that way.

Q141 Lord Turner of Ecchinswell: I would like to ask a question of Mr Hadley from the point of view of recruitment and employment overall, but I am very happy if the others want to come in for the particular sectors, because what I am trying to understand is whether the dynamics of what is going on are different by sector. So the first question is a point of information, where are you most active by sector, but also where do you think are the highest proportions of migrants? Is it in construction, is it in catering, is it in social care or is it in agriculture? Then the follow-on question is, wherever it is, is the same thing going on or is there a difference? What I mean by that is, it is possible to imagine in the agricultural sector that the SAW Scheme has relatively little impact on the local labour market because if these people did not come and pick the fruit here, the fruit that we produce here would be produced somewhere else and, as it were, the produce would move rather than the labourers move. It is just two different ways of moving things around. But that is not true in construction. If you are going to build a house here, you are going to build a house here; you do not import a built house from Poland. So if we did not have that flow of people coming into construction, what would happen? Would the price of their wages go up and we still get them, or would the houses just not be built, in the same way that we are arguing the fruit would not be gathered, and does that vary between construction, catering, social care and agriculture? Would the adjustment be different in different sectors? Mr Hadley: Perhaps I could start with the first question, which was where are our members most active, and it is clearly where there is a shortage almost of candidates for particular jobs. It is in markets like construction—a big one is drivers, for example, that is where there have been proactive campaigns in other countries to recruit people and bring them over because there is a particular need. Social care is a big area of activity where it is genuinely very hard to get enough people to come forward for the particular positions. We mentioned hotel and catering, which is an on-going need, but things like driving and social care are some of the ones where there would almost be almost the same amount of candidates for particular jobs. It is in markets like construction—a big one is drivers, for example, that is where there have been proactive campaigns in other countries to recruit people and bring them over because there is a particular need. Social care is a big area of activity where it is genuinely very hard to get enough people to come forward for the particular positions. We mentioned hotel and catering, which is an on-going need, but things like driving and social care are some of the ones where there would almost be almost the same amount of candidates for particular jobs.
Q142 Lord Turner of Ecchinswell: Let me just ask a question of you. Suppose you have a restaurant and you have a demand for waitresses. If you could not supply that with migrant workers, then would they just have to pay more or are you saying the job would not exist at all and the restaurant would not exist at all? Would the waiting still occur at a higher price or would it just not exist?
Mr Hadley: It would vary. Let me be clear, for our members the more pay you can get for the person you are sending through, the better; so, often the issue is how much is an employer willing to pay for a particular job. The feedback from our members is that people are not discriminating or imposing. But you are right; if there was not that influx, then people would have to look very carefully at the pay rates they are offering. Social care is a good example, even within the NHS where you know there have been very tightly regulated pay levels for agency workers now. Sometimes in a very specific niche area where there is a skills need you have to look beyond what has been agreed and there is that kind of flexibility that we do need to build into it. I would say, therefore, that you would have to increase pay rates to some extent to recruit people if you could not do it, but whether a small business could afford to do that is another question.
Mr Kendall: Can I make one comment about Lord Turner’s comment about whether we would have the production in the UK at all? What I am really worried about is all the on-going processing as well, the add-on industries. If the SAW Scheme is wound up as projected at the moment—I give an example of Wilkins which is the producer of the Tiptree jams and products from Essex.

Q143 Chairman: My old constituency.
Mr Kendall: They have many people employed throughout the year who process the vegetables and the fruit that have been gathered during the critical growing season, and that would be something that I think we would lose if we lost the SAW Scheme. In defence of the SAW Scheme as well, I think it has less impact on the overall economy as regards housing, education and health et cetera, because it is a temporary issue; and when I think of some of the challenges we face as a global society now, producing that agricultural product here in the UK and having access to that labour temporarily, is a critical part of our industry.
Mr Ratcliffe: Could I just make a point on the construction side? Certainly, wage rates are going up. We have a working rule agreement as I mentioned before and looking at settlements since 2000 they have been consistently higher than RPI, so there is an adjustment there to try and attract more people into the industry. Just to pick you up on your point about importing the house from Europe; that is quite feasible but it is a question of economics as to whether it is cheaper. Certainly in Catterick they are doing some military accommodation up there and all the bathrooms are simply transported in, having been made in a factory. So certainly one of the responses to skills shortages will be more off-site prefabrication; it is an idea which is catching on quite nicely in the industry.

Q144 Lord Turner of Ecchinswell: That might be quite good for the productivity of the economy.
Mr Ratcliffe: Indeed.
Lord Layard: I would like your reaction to a different theory about this and that is that rather than these are shortage areas these are areas to which the migrants are suited, and I come to that from thinking about where do British students work? They do not work in the shortage areas, they work in areas which they are suited to. It is very easy for them just to walk into a restaurant and become a waiter and so on, so I think this notion that these people are plugging particular shortages is not right. It is ordinary supply and demand at work and the characteristics of the supply are determining to a large extent where the people are going.

Q145 Chairman: We are here to get your answers so let us have your reaction to that.
Mr Hadley: For recruiters they do not really mind where people are coming from as long as they can fill a particular need, but I would say that there are some sectors where we do think there is a genuine shortage and people are willing to come to the UK to fill them. Social care is a good example, social care and domiciliary care. We just cannot get enough people on our books to fill the need and part of it is that the pay is actually quite low and is a factor possibly. But there is a level of skill that you need, it is not something that a student would just go into for the summer, you do need a level of skill and people are coming up with those skills. Our concern is that as the standard of living goes up across Europe will people still be prepared to work for what is relatively low pay in what I believe is actually quite a highly skilled sector, social care, which is a whole other debate. I take your point but I think there are particular sectors where there is a skill match that is happening.
Mr Ratcliffe: From a construction point of view, you want to take the people who are competent and have got good health and safety awareness. I mean, we would be rather alarmed at taking a student onto a site if he had not had proper health and safety training. There is a card called the construction skills certification of skills card, the CSCS card, which everybody has to have as a passport to get onto certainly a major site, and that is increasingly
percolating throughout the industry. All the experience we have from people coming in from Poland and elsewhere, despite some of the language difficulties, is that these people are very skilled, very competent, and site induction procedures are now done in Polish and in 12 other languages—we have a DVD. We would therefore be rather worried about having young students simply coming along.

Lord Layard: It was just an illustration; that explains that particular phenomenon.

Q146 Chairman: Do either of you want to say something?

Mr Kendall: Other than the fact that we have seen a massive increase in the use of poly-tunnels and increased production of vegetables and fruits under those sorts of conditions, which I think has extended the growing season and has done a fantastic job of avoiding imports and providing nutritious, healthy diet aspects. Although we do draw a number of UK students, there are not enough. The SAW Scheme has been around for a long time and even Lord Rooker, as part of the Concordia Scheme, tells how when he was a student he worked picking raspberries up in Scotland. So it has been using domestic students as well as migrant students. But as we expand domestic production in certain areas we want to have that flexibility to pull in students from outside the EU.

Q147 Lord Kingsdown: Let me start off by giving some evidence, by saying that I live in the North Kent fruit belt and I have watched this fruit-picking going on through the summer. It is extremely interesting how there is never a shortage when they are wanted, but whether they are immigrant students or locals is very hard to say. It varies from day to day, but the people turn up for the work and I will tell you why they do: if you are a good cherry-picker, you can earn £60 a day and, for a Polish student, that is serious money. Somehow, as I see it, the system works. But it is not for me to hold forth about the system; it is for me to ask a question about it, if I may, and this is probably one for the REC. Do employers use agencies mostly for workers in general or for migrant workers in particular? Do they specify what they want? Do some employers express a preference for certain nationalities of workers and if so why?

Mr Hadley: I will take the second one first, if I may, because we have had isolated cases of agencies who might put an advert just in Polish. Our employer clients are saying that they will ask colleagues—“the last blokes you sent me were great, we would like more”—and of course we say that you cannot do that. So there is the odd demand for that. Our view at the REC and among quite a lot of our members is that it is not about Polish workers. One thing that any migrant workers do bring is they are people who have made the effort to come. It is a big deal to come and live in a different country, to leave your family and come. They are more likely to be the people in some way who have got an attitude which is can-do—“I am going to go for it”—and I think if you look at the States, it is the same. The feedback from our sister federation in the US is that migrant workers by definition have a relatively positive attitude to work. We were talking about skills a moment ago. I would almost say that sometimes in the UK you almost feel there is an attitude gap rather than a skills gap. That might be a bit sensitive at the moment but there is a feeling that people will turn up on the assignment on time—which if you are an agency is a killer. If you put somebody out on an assignment and they do not turn up, that is a nightmare for you, you will not get paid as an agency. People are not actually demanding but people are recognising that migrant workers in the UK have brought something to the party and a lot of it is not just the skills, it is a relatively positive attitude to work which certainly our members have welcomed and the employers that they serve have certainly welcomed. So that is something that we have certainly found. Can you just remind me of the first part of your question?

Q148 Lord Kingsdown: The first part of it was about employers who use agencies—do they specifically ask for migrant workers or workers in general?

Mr Hadley: No, they would not do that, they would ask for workers in general. What is interesting though is that in some sectors where there is a real shortage—and I use the example of welders, one of our members was tasked with finding 100 welders, it might even have been more. How do you do that? You try to do it in the UK but you could not, so I know they were looking at a proactive recruitment campaign across Europe, going to jobs fairs and going down that road. The employer wanted 100 welders and it was how you sourced them, but there are no agencies that would just specialise in that although increasingly a number of agencies will have links with agencies in other countries. Sometimes they will set up overseas, so you get things working in that respect, but you do not get a specific demand in our experience for workers from one place.

Mr Kendall: Could I just make a brief reference to Lord Kingsdown’s comment that the system works? The problem for us in the NFU is that the system is changing and from having a system where the SAW Scheme allowed migrant workers from outside the EU, from next year it will be 100% having to be sourced from Bulgaria and Romania; and, as we see the Polish economy changing and the dynamics changing, we are finding it a great challenge to only source the migrant labour from within two countries and not having the access to these seasonal
agricultural workers from outside the EU. So although the system works and it has been a great success for all the points I have championed—the SAW Scheme has delivered exactly as you have identified in the past—we believe that there is a growing dynamism with some of these agricultural incentives and we want to have access to migrant labour from outside the EU and not just be tied to Bulgaria and Romania from next year onwards.

Q149 Lord Lamont of Lerwick: This is a question to be addressed in general to all of you and I apologise that I may have to leave before all of you have answered, but we really want the answer for the record rather than to me. Do the characteristics, qualifications and motivations of the A8 workers differ from those of other migrants and British workers and what is your assessment of the expected duration of A8 workers staying in the UK?

Mr Ratcliffe: Speaking for construction, the anecdotal evidence coming from our members is that there is a very strong work ethic amongst migrant workers. They have a good standard of education and a strong motivation to work and to earn good pay. Indeed, I would say that the qualifications of migrants that have been coming across from Eastern Europe is comparable with, if not better than, some of the indigenous workers. In terms of duration of stay, I simply do not have any evidence of duration. Again, anecdotally, we would quite often find that people are coming for a year or so and then some of them are going back, but we simply do not have any information.

Mr Hadley: In terms of the qualifications, I think the big challenge or the big development we are seeing is people coming in who are not making the most of the qualifications that they do have. They are working in relatively low-skilled jobs and we are now starting to see a dynamic happening, and that is perhaps one of the benefits that we are seeing. People are certainly accessing the labour market through temporary work, for example, doing relatively low-skilled jobs, they are starting to develop their language skills and they are now being placed into jobs which are much more in tune with their qualifications. Again, it is to the advantage of an agency to be able to do that because you obviously get more commission, but it is something that we are seeing as a benefit. As we have heard, there are some very good qualifications and in terms of duration of stay again there is no actual data but we do see a very high churn rate in terms of people registering with agencies which indicates that people are looking for different jobs and are progressing, but also going back. That is one thing that perhaps the figures mask, that a lot of people do come over for three months assignments, six months assignments, earn a bit of money, get a feel for it and go back. The issue with the registration scheme is that it perhaps masks how many people are coming over and then leaving. But certainly the feedback from our members is that there is a fairly big churn and people are on your agency’s books and then leaving.

Mr Kendall: From the farming point of view, I would say that the A8 countries are increasingly being seen the same way as British workers are. However, we are finding them moving on to other jobs and they are looking to see the potential for other work within the UK, whereas when I refer back to the SAW Scheme—and I have touched on it a lot—those people come for a finite period of time and tend to be pretty motivated by earning a lot of money, as we have heard already, in a short period of time.

Chairman: Lord Lamont got his question in and got his answers as well.

Lord Lamont of Lerwick: Like an American congressman, I must go now.

Q150 Chairman: UCATT has said in its evidence that migrants, including those provided by recruitment agencies and businesses, are sometimes paid less and employed under worse employment conditions than British workers. Would you accept that or do you have a comment on that?

Mr Hadley: We would not accept that actually, because it would be discrimination for an agency to pay less just because of their nationality. We have to recognise that the way agencies work is they will hustle to get the most money that they can for their workers. It is to their advantage to do so, so pay rates do vary. But certainly, if you are comparing agency worker with agency worker, that is not the case and, as I say, it has certainly not been seen as a form of cheap labour. It is a way of getting good workers who would earn fair pay, so that I would not accept. I think what UCATT are perhaps referring to is potentially our agency workers are paid less than a permanent employee in the company that they are going to, possibly, and our line on that would be that agency work is different from permanent work. I mean, I would be upset if an agency worker came and sat next to me and was earning the same pay as me, when I have been at that company for five years plus. So there are sometimes differences in pay rates between agency workers and permanent employees, and that is partly to do with the fact that it is a very different working model. That is something that we can be quite bullish about. Let us not forget that one of the benefits of agency work is the fluidity it gives and it works both ways; an agency worker does move very quickly between agencies and I mentioned there is a high churn. Just look at the number of agencies around now. You can go to another agency and try and get a better pay rate, try and progress within the labour market, and that is one benefit of our flexible
labour market, as we see it. So, yes, now and again you can earn less pay than a permanent employee in the place of work that you go to, but there are lots of opportunities for progression and for accessing the labour market. We do have statistics we can send you afterwards in terms of the number of temporary assignments which is a good way in for migrant workers, and a number of those assignments will lead to permanent employment subsequently and that is one thing we have to value in the UK rather than denigrate. It is the way we can provide access into the labour market through temporary work. Anybody who has worked overseas, such as I have in France, for example, knows how hard it is in other countries to get into the labour market, and I think that is one of the big bonuses for us of quite a vibrant and dynamic labour market.

Q151 Chairman: Does anybody else want to add anything to that?
Mr Kendall: Just that with agriculture we do have the Agricultural Wages Board still, and that sets the rates for our industry, so although there is quite a bit of piece work, being paid for what you produce by being a good fruit picker, we do have minimum rates set and they apply across agriculture.
Mr Ratcliffe: I might just say that UCATT have made these claims to us as well and I am still waiting to actually see the hard evidence. Indeed, I was at a meeting there yesterday talking about vulnerable workers and certainly when we see the evidence we will look at it, but I suspect we will not get any.

Q152 Chairman: Tom has justified it happening on occasions.
Mr Hadley: What I should clarify is that there can be pay differences. There are examples of migrant workers being exploited, paid below the minimum wage, having unlawful deductions, and that is absolutely not on. We are working with the Vulnerable Workers Forum to address that and in fact we welcome the fact that they have doubled the inspectorates to address those sorts of issues. The regulations must be properly enforced. We welcome all of that and any cases of worker exploitation—which can happen. A lot of migrant workers do come here and can be quite vulnerable if they do not speak the language, if they have been given bad information. If they have paid a bond to an agency in their own country, for example, there can be a level of vulnerability there which needs to be taken on board, so we would actually agree with the unions on those kind of claims and where there is exploitation we need to address that and we are starting to move down that road, I believe.

Mr Ratcliffe: I would just like to make the point that in construction the definition of a vulnerable worker may not necessarily be a migrant but quite a high proportion of our workforce do not read very well and they are vulnerable, so it is an issue that the industry is very much alive to.

Q153 Chairman: Do you get a significant movement from casual workers to getting permanent jobs?
Mr Hadley: Yes.

Q154 Chairman: That happens, does it?
Mr Hadley: Yes, we have some data from our research unit that we can send you on that.

Q155 Lord Sheldon: It is said that many migrants do low-skilled jobs. If there were higher wages, would there be more locals to do these jobs?
Mr Hadley: If there were higher wages? Possibly. If it suddenly became a 60 grand job to do social care, then a lot of us might look at it—absolutely. There is an argument that people obviously would be attracted if there was more money in certain jobs. Where there is pressure is actually in a lot of the public sector jobs. I keep going back to the social care example because it is a concern for us in terms of how low the pay rates are and they are not increasing with inflation. So, inevitably, there is a fairly high proportion of migrant workers now filling those jobs and my view is that unless we look at sectors like that, even migrant workers, certainly within the EU, are not going to be willing to get into those professions for the level of pay. I do not want to get into a political debate on public expenditure but there is a concern, especially if we look at the value that we are getting from it, that if we keep pay rates too low, there is a repercussion in terms of recruitment difficulties but also in terms of the quality of the people you are recruiting to do very important frontline jobs in the public sector. That is a concern that we have across a number of different sectors.

Q156 Lord Layard: Could I ask about the new points-based system? How is that going to affect recruitment in the various sectors which the three of you represent and will the focus on attracting skilled workers produce a shortage of migrant labour for the low-skilled jobs? Are you in general worried about the Government’s expectation that all the demand for low-skilled migrants will come from the EU? You have already answered that for agriculture but, in particular, how do you see the points-based system affecting your sectors?
Mr Ratcliffe: In construction I have talked a lot about the craft workforce and this new scheme is more likely to be affecting more managerial jobs like project managers and the like where we recruit quite
extensively from Australia, South Africa and the like. So we are looking for high skills and all the indications are that the points system will give us what we want. So we do not really have any worries about it at all.

**Mr Hadley:** We welcome in some ways the clarity. We welcome the fact that it is a system that does give an opportunity for regular review and that is one thing we need to bear in mind when we are looking at a labour market; it is being able to match the migration policy with where the needs are and those needs may vary. We do have some concerns. I must say, on the points-based system for what I might call the mid-level skills, and again I go back to social care being a good example, where there is a fair amount of recruitment from outside of the EU, people who come over with good language skills. Social care is a lot about communication and it is actually very, very important, and under the current proposals a lot of our members would no longer be able to place people coming from certain countries. In the hotel and catering industry, some of our members in that field will say people like chefs du partis, a fairly skilled area within the hotel and catering trade, they would no longer be able to recruit, and I think it is a leap of faith to say that is not a problem, that we will be able to recruit within an enlarged Europe. We do have some real concerns that it will hurt the labour market in some of those almost mid-range skilled areas.

**Mr Kendall:** In the farming community we are very concerned about the introduction of the points scheme because it assumes that we are going to find enough low-skilled labour within the EU, which, as I have pointed out already, is a grave concern of mine and it is why we are so keen to support the SAW Scheme going forward because we do not see this confidence in there being a priority on skilled labour and just assume we can access all the low-skilled workers we need from the EU.

Q157 **Lord Paul:** What is your confidence level in the new Migration Advisory Committee’s ability to identify accurately labour and skills shortages and then to determine whether the gap should be filled by migrant workers? Can this be done timely?

**Mr Kendall:** My concern ties in with the previous point about the points system as well really. As the gentleman on my left said, we can review these things regularly, but I am worried that Wilkins Limited, for example, goes to harvest without access to its harvest labour and so it stops producing and we lose that to another country. The problem about this proposal is that it is unproven so far and we need to know going forward that we can plan our businesses and not find in two years time that someone says, “actually that did not work and we are now producing the fruit in some other part of the world”. So I am concerned about it. I know there is a strong recommendation for it to go on but I go back to my previous point of really wanting to see the old SAW Scheme perpetuated, so we make sure that we have the proper labour required to see a growing industry.

**Mr Hadley:** We are fairly welcoming of the concept. But it is almost not the what, it is the how, is it not? And whenever you are talking about issues like this, it is the quality of the data you are going to be accessing, the feedback you are going to get from people really on the ground and right there in the labour market that is going to be absolutely essential. So we do have some concerns over how it will deliver, but perhaps just a point to make is how global the management talent is. We had our global recruitment conference not so long ago and the number one challenge, not just for our federation but for federations all across the world, is lack of suitable candidates. The Australian federation, the US federation, across Europe and Ireland, everybody is saying the same thing and it is interesting because in the same way as a few years ago we talked about needing to promote Britain as a place to come and do business, to come and work, we almost need to promote Britain as a place to come and live and work. I think there is that feeling that we do see from our sister federations across the world. So it does need to deliver and it does need to be something that is reviewed very regularly.

**Mr Ratcliffe:** In construction one of the advantages of still having a statutory training board is they do considerable work identifying and forecasting future skills, which is both in depth from a geographical point of view and also from a skills point of view, so there is readily available material there which is constantly updated and available to map out what the skills needs are in the next five years. So it is something that I would hope they would make full use of.

**Chairman:** Thank you very much, it has been very helpful to us and, if I may say, can I thank you for the succinct answers that you have given to quite a lot of questions. With three of you answering most of them, we got through a lot of ground very quickly and we are very appreciative of that. Thank you very much indeed.
Examination of Witnesses

Witnesses: Professor Christian Dustmann and Professor Ian Preston, University College London, examined.

Q158 Chairman: First of all, you are very welcome; thank you very much for coming. I guess you are both old hands at this business anyway and there are some questions which you know we are going to ask you on our inquiry. Do either of you feel you want to make an opening statement or are you happy to go straight into the questions? Professor Preston: Go straight to questions.

Q159 Chairman: Thank you. If I may start, the study you both produced for the Low Pay Commission earlier this year found small but positive overall wage effects from immigration, with native high earners making marginal gains but the lowest paid losing out. Would you say the impacts of recent immigration on wages and unemployment have been in line with what labour economists generally expected? Professor Preston: I think what labour economists would generally expect would be that you would find wage effects that were most strongly negative amongst those competing most directly with immigrants and wage effects would be positive amongst those whose productivity is raised by their complementarity with immigrant labour. What makes the pattern of the effects that we found in that report particularly convincing is, if you look in the same data at where the immigrants are in the wage distribution, the immigrants appear to be most concentrated at precisely the same points where we find the most strong negative wage effects. So the pattern of wage effects, I think, is fairly convincing and in line with what you would expect. As regards the overall positive effects, if immigrants are paid less than the value of what they contribute to production, then that generates a surplus which may find its way back to labour, it will find its way back to the various inputs and it may find its way back to labour. There is a standard argument for why that happens in terms of immigrants moving the economy down the labour demand curve, which causes wages to go down, and therefore on average they are paid less than they contribute. I do not think that is very plausible to explain the sort of magnitude of effects that we are finding, but if there are skills shortages in certain parts of the economy where immigrants are heading, where their productivity is higher than the wages that they receive, that could be an explanation for the surplus. Getting that to go back to labour in the form of higher wages depends a lot on what you assume about the flexibility of other inputs. If capital is perfectly mobile internationally then you would not think that the return to capital could be much affected and the surplus would go to labour, but if it is less mobile it is more difficult to see exactly why this is shown up in higher wages, so I think more research is needed on that. As I say, the pattern of wage effects that we found is very convincing and plausible. The overall positive effect is a bit more challenging to explain but there are possible explanations and other studies in other countries are beginning to show positive wage effects there as well so we are not alone in finding that.

Q160 Lord Layard: It does require, as you said just now, that capital is supplied infinitely elastically, i.e. that the rate of profit is not affected by immigration, whereas it does not seem altogether unreasonable to suppose that lying behind the pressure for immigration is the notion that you can get more profit out of it. Is there anything that can be said about what the impact of immigration has been on the rate of profit? Professor Dustmann: We have not looked at that, we looked at the impact on wages and I am not aware of any research which has looked at that. Possibly the two novelties in our particular study would be to look at wage effects along the distribution, which so far has not been done because we looked at average wages, and to give up the assumption that capital is perfectly inelastic, which was the assumption in most previous theoretical models. We suggested the possibility that capital may be in elastic supply. If capital is perfectly inelastic, then any surplus would go to the owners of capital and you may want to call that profit.

Q161 Lord Layard: Can I just make sure we all understand it. If there is a constant return to scale then if the wages have gone up—let us leave it! Professor Dustmann: Maybe one thing I should just add is that what we find for the UK may not be the same for other countries, Migration affects labour markets in very different ways in different countries. Why is that the case? Because the skills structure and capital structure of the receiving economies are different and the skill mix of immigrants is different. Even if the skill mix was the same where we would find immigrants in the wage distribution may differ across countries. So we have shown that in the UK, while on average they are higher educated than native workers, we do find immigrants, at least initially, very much at the low end of the wage distribution, and these things together show the effects that immigration will have on wages at different parts of the distribution and will have on capital.

Q162 Lord Turner of Ecchinswell: I am sorry to go on about these theoretical points but it is very important that we understand what the theory tells us. I looked at your document for the Low Pay Commission and indeed the bit about averages is on pages 28 to 30; I just want to clarify that I have a
correct understanding of what you are saying there and what you are not saying. Am I right, first of all, that you are saying that under certain circumstances the average wages of pre-existing native non-immigrants can rise, but of course that is a different thing from whether average wages rise because there could be a compositional effect which pulls it down.

Professor Dustmann: Yes.

Q163 Lord Turner of Ecchinswell: I just wanted to clarify that. Secondly, I think you were rather suggesting in what you said a minute ago that there was a bit of a mystery about a positive effect on the average wages of natives but what I think you are saying the theory suggests is that as long as capital is in elastic supply and as long as the skill mix of immigrants is different, then we would expect a positive effect.

Professor Dustmann: That is absolutely right.

Q164 Lord Turner of Ecchinswell: The third point though is a crucial one because what you then say at the end of it is that the very same conditions which are required for there to be a positive effect on average native wages also require that some categories of native workers lose.

Professor Preston: That is correct as well.

Q165 Lord Turner of Ecchinswell: So the very factors which tell us that on average native workers might gain would automatically tend to mean that there must be some category of native workers who lose.

Professor Preston: Yes, that is all true within an equilibrium.

Lord Turner of Ecchinswell: It is all within an equilibrium but it is useful to get those points clear. Thank you.

Chairman: Let us move on. Lord Vallance.

Q166 Lord Vallance of Tummel: can we come off the theory just for a bit, and what we heard from some previous witnesses was that there were real practical data methodological problems in the analysis of immigration issues and the labour impact. What is your assessment of those problems and how robust do you feel are your most recent results on the labour market?

Professor Preston: There are data problems and there is not much we can do about that if we accept the data. We can try and make it more robust to non-systematic measurement errors in our measures of immigration but if there are systematic errors there then that is going to cause almost insuperable problems. There are other methodological problems which we recognise completely, particularly about identifying the direction of causation. The estimates in the study we have been talking about are all based on comparing the economic outcomes in different regions that have different intensities of immigrant inflow. Of course, if a region is temporarily doing economically well you would expect wages to be rising there and immigrants to be attracted in, so even if immigration had no effect on wages you would expect to see a positive association between wages and immigration. We try as far as we can to overcome that by not relying on association between actual immigration and wage changes but association with that part of immigration that we can predict from past levels of immigration which you would not expect to be affected by temporary changes in economic circumstances. That should make the estimates robust to that sort of problem but there are assumptions behind that that you cannot test; you have just got to take them on faith and if they do not work then that is a problem. But we make as strong an effort as we can to try and make them robust to those sorts of worries, which are the main things that we have been concerned about.

Professor Dustmann: We had meetings with the Low Pay Commission and several government department representatives before that report was published, and of course these concerns came up and we tried hard to ease these concerns. We not only look at data from the labour force survey when we compute wages but we also use data from NES/ASHE, which is the data set which is used to look at wage inflation in the UK, real wage increases and nominal wage increases. We discuss very carefully the issues Ian has been talking about, but the problem with any empirical work in economics is, of course, that the data is never as good as we would want it to be. But I am at least pretty confident that the analysis we have done here is very robust and I would not expect future work to show dramatically different results for the same wave of immigration that we have analysed here. That is very important because future immigration may have different effects on the British Labour Market.

Q167 Lord Turner of Ecchinswell: Can I ask one question which is a direct follow-up to this methodological point? To the extent that you are trying to infer it from differences between regions, if capital were fully mobile between regions of the UK and other categories of labour were fully mobile between categories of the UK, you would not then expect to see the regional pattern of results. Does not the regional pattern of results only arise from the extent to which other factors of production are not fully mobile?

Professor Preston: Mobility of labour at all is going to diffuse the effects out across different regions and we are aware of that issue as well. You can control for that to a degree because you observe native labour of different types and you can put that in as controls in your estimation and we do try and do that.
Professor Dustmann: We do also extend things and try to publish them, so we have done a lot of additional work among it trying to get a grip on the degree of mobility of native workers as a reaction to immigration, and there is very little evidence for that.

Q168 Lord Turner of Ecchinswell: Can I ask another point on your empirical results on these questions? You have commented on pay. Is it your belief that immigration has had any significant effects on employment or the participation of British native workers, particularly on those which start off with low participation rates? For instance, if you have long-established ethnic minorities that have very low participation rates, do new waves of immigration affect their employment or are all the impacts that you have found as it were wage-related—price effects rather than quantity effects?

Professor Preston: In that particular study we did not look at employment but we have done a previous study for the Home Office which was looking explicitly at employment and participation. It was using earlier years, it was the mid-Eighties up to 2000, I think, whereas the later study used the late Nineties and the early part of this decade, and that work has been published. We do find small, negative effects on employment and participation, but these are not very well-determined. Reading them at face value, there are some negative effects on employment and on participation, but as I say the statistical imprecision on them is so great that you could not rule out zero effects. We did compare different groups as well—you tend to find participation going up amongst the skilled and down amongst the medium-skilled and low-skilled which fits with the pattern of wage effects.

Q169 Lord Kingsdown: How have the children of immigrants performed educationally, do you know, and how have they fared in the British labour market?

Professor Dustmann: I have brought you a paper we have written on that. Let me start with the problem we have in the UK which is that there is no data set except for the BHPS—which is too small to analyse immigrants—which links an individual to their parent. So the way to address the children of immigrants has to rely on something else. What we have done based on the labour force survey is we use the different waves of immigrants who have come to this country which, for the ethnic minority community, is a pretty recent event. We have linked children who are born in the UK but who are ethnic minorities to their parents, so we can identify in the labour force survey second or maybe higher generation immigrants but only from ethnic minority groups, not from the white group. To give you the magnitude of what that means, at the moment about half of the foreign-born in this country are white in terms of ethnicity and half are non-whites, so the non-whites would report their ethnicity and we can identify them in the labour force survey. If you look at their educational achievements, across all groups educational achievements are at least as high as those of the white, native-born individuals who, with a very high probability, are descendants of white individuals, but there is a large variation on top of it. For instance, 85% of Chinese individuals who are born in this country go to college, a much smaller percentage of Pakistani and Indian individuals go to college, but even those percentages are higher than those of comparable native whites. So the educational achievement of ethnic minority second or maybe third generation individuals is remarkably high in this country. If we look then at the wages and if you look at the employment, it is also more favourable. However, that is due to the fact that 40% of ethnic minorities do live in London and London has higher wages and also a more buoyant labour market. So if we control for the fact that those individuals of second generation origin live in London, then their wages are slightly lower, in particular for females, and their employment falls slightly. We have done that very carefully in this report and if you find that interesting we will leave this here.

Chairman: That would be very helpful. Lord Sheldon.

Q170 Lord Sheldon: Migrants have taken certain jobs where they are over-qualified. Do you expect them to move on to jobs that better match their skills in due course?

Professor Preston: We can already see this in the evidence that we have in our report of where they are in the wage distribution. If you look at very recent migrants they are quite heavily concentrated down the lower end and if you look at less recent migrants it is the same sort of pattern; but it is less pronounced so you can see evidence of them moving up the wage distribution, which is compatible with the movement towards more appropriate matching up with their qualifications or skills and you would expect that to ameliorate the downward pressure that we found on wages at the bottom end if that continues. I would expect things to go in that direction.

Q171 Lord Sheldon: What sort of timescale do you expect for that?
Professor Dustmann: There is a problem again of measurement and that problem is that many immigrants—and we come to that a little bit later when we go down your catalogue of questions—return back to their home countries. So return is not random if only the good guys or only the bad guys in terms of educational achievement go back, then we cannot identify a moving up in the skills distribution due to a particular selective return migration from changes in the application of their skills to the British labour market. So that is a little bit problematic. We could give you precise numbers on that if we did not have this particular problem.

Q172 Lord Layard: How does the national minimum wage affect the demand for migrant labour? Do you think that minimum wages have other implications we should take into account when we look at the economic impact of immigration and, in particular, do you think that the current UK policies ensure employer compliance with minimum wage regulations applying to migrant workers?

Professor Preston: It is not something I really have a view on because I do not think I have any evidence on any of those questions, so I am not sure what I can say.

Professor Dustmann: Given that basically immigration leads to a downward pressure in that part of the distribution where actually we do find the minimum wage which is on the sixth or seventh percentile of the wage distribution, one may deduce from that that the minimum wage does protect some workers at that particular part of the distribution. What effect it has on higher grade immigrants versus natives as Ian says, I do not have evidence. I can answer it in terms of what I think about it myself, which is I do think that European labour markets in general, particularly in continental Europe, have been characterised by a strong rigidity at the lower end of the wage distribution and employers try to undercut that by employing immigrants who come illegally. So I do think there is a lot of that going on in the construction sector or the agricultural sector in countries like Germany, but that again is not something on which we have done research.

Q173 Lord Layard: The implication would be that immigration at the lower end in the presence of the minimum wage would have increased the unemployment of the low waged domestics. When you did your cross-regional research were you able to look at that issue?

Professor Dustmann: We did not look. The Low Pay Commission asked us to look at wages, not employment, and we have not looked at employment. We are happy to do another study looking at it.

Chairman: Let us move on. Lord Vallance.

Q174 Lord Vallance of Tummel: Does immigration lessen the incentives for employers to train the indigenous workforce or indeed to invest capital in improving productivity?

Professor Dustmann: There are two types of training we distinguish in labour economics. The one sort of training is general training, that is training you can take with you and every firm finds it valuable and will pay you the same premium on that. The other type of training is firm-specific, which is only of value in a particular firm, so general training in competitive labour markets of the type we usually study will never be borne or never be paid by the employer because the employee can take it with himself or herself. So it will always be the employee who will pay for general training. For specific training the employer is willing to pay but that specific training is not worth anything outside that particular firm, so this is the kind of rudimentary model of analysing firm-based training and we do not see that migration would in any way change that. If you train a worker in general training, you would not be willing to pay for that training whether that worker is a migrant or a non-migrant; if you train him in specific training, the specific training is worth nothing to the worker outside your firm, so you are the beneficiary of that training and you would finance that training.

Q175 Lord Vallance of Tummel: As far as capital investment is concerned, if there is availability of labour through immigration, does that mean there will be less incentive to invest in productivity improvements through capital investment?

Professor Dustmann: We have done work so far for Germany and there is work for the US looking at alternative adjustment mechanisms to immigration. The adjustment mechanism we are analysing in this particular work (the LPC Report) is wages, and that is what people have usually in mind when they think about the way immigration affects the local labour market. However, there are other adjustment mechanisms. One is by changing the industry structure and the other is through technology, so the most interesting example or maybe the most illuminating example is the wine industry in Australia and California, which is highly labour-intensive in California and highly mechanised in Australia, the reason being that it is very easy to get unskilled workers in California but not in Australia. This is anecdotal, but if you look at the evidence there is evidence for the US that, particularly in the traded sector, technological adjustment is more important than adjustment in the mix of what companies produce. We have done the same analysis for Germany; we are still working on that.

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but the preliminary evidence points in exactly the same direction with surprisingly similar magnitudes of estimates. So there is evidence that technology adjusts to the availability of labour in particular parts of the skill distribution.

**Lord Vallance of Tummel:** Thank you, that is interesting.

**Q176 Lord Turner of Ecchinswell:** The Government has often stressed the positive impact of immigration on total GDP. Do you have a point of view on what its impact is on GDP per capita, which is presumably a balance between the positive effects on the average wages of native workers minus the compositional effect simply due to the influx of people on low wages? Have you ever put that together and worked out whether this is positive for GDP per capita or negative?

**Professor Preston:** I have never done that calculation, but it is a mixture of what we said earlier about the effects on native wages. The evidence on recent immigrants is that they tend to be located lower down and you would think that average native wages possibly go up. The typical recent migrant tends to be at the lower end, so those two things work against each other.

**Q177 Lord Turner of Ecchinswell:** Presumably, if that overall was a negative effect because of the compositional effect and if society was committed through, for instance, the working and family tax credit to redistribution, it could be the case that the native workers would lose either all or a significant proportion of their beneficial impact from higher pre-tax wages. Has anybody ever done that analysis to see whether they are a net winner after the redistributive effects to which we are committed?

**Professor Preston:** I have no more information on that.

**Q178 Lord Kingsdown:** In 2003 you were both among the authors of a report for the Home Office forecasting that annual net immigration from the eight countries which joined the EU in 2004 (the so-called A8 countries) would be between 5,000 and 13,000 a year. What explains the difference between your estimates then, if I may ask, and the much larger number of A8 migrants who have come to the UK since May 2004?

**Professor Dustmann:** First of all, we should point out that that number is a net number and it was calculated over a ten year period, so net is the difference between in migration and out migration. We expected that return migration of these immigrants would be, over a ten year period, quite large. Secondly, that number was based and at least half of that report was a critical assessment of these numbers. We were very, very careful to put these numbers in the context and in the possibilities we have actually for estimating these things. So while the study we have done for the Low Pay Commission may have some data problems, it is standing on much more robust grounds than any study which was published at that time on EU Accession, and ours was not the only one to predict the inflow of immigrants from the enlargement countries, the reason being that we can only make a prediction if we have some past information about such migration. In this particular case, because of the Cold War and the Iron Curtain, there was no information about how individuals from those countries would react to the wage differential and to other economic differentials between the UK in particular, Europe in general and those particular countries on the other side. What we needed to do, therefore, was take past migration from other countries to come up with a prediction, and that of course leads always to estimates which may get it very wrong. That is the context. We should then point out that the numbers we predict are net numbers. So if, for instance, every year about 200,000 individuals would come to the UK, the stock of immigrants would be increased so that the net average migration over the period would be 200,000 per year and after ten years there would be two million immigrants added to the stock. If, however, they only stay for two years, then after ten years the average net inflow would be 40,000, so that is a very different number. We have to take account therefore of return migration when we look at these numbers and that has not been done in the entire public debate on EU enlargement unfortunately. The other issues which we pointed out very carefully in the report are that our report was based on the assumption that countries like the large European economies, in particular Germany and Italy, would open their borders towards the eastern immigration countries as well. That is something that they announced but then they retreated on that particular announcement, so we looked at those immigrants who would basically go to the UK as an alternative to Germany and we did not consider immigrants who went to the UK because they could not go to Germany or some of the other larger continental countries.

**Q179 Chairman:** Do you reckon that accounted for quite a lot?

**Professor Dustmann:** I am absolutely sure that if Germany had opened its labour market to the accession countries we would have seen lower inflows to the UK.

**Q180 Chairman:** Can I just press you a bit on that? You assumed something that was wrong. In other words that the other countries would allow them in.
What basis did you have for making that assumption? Was that the policy of all the countries concerned at the time?

Professor Dustmann: It was—that was what was basically understood. We published our report in November 2003 and enlargement was in May 2004, so lots of things happened in the last month before enlargement, with many countries retreating from previous commitments that they would give access to immigrants.

Q181 Chairman: You have nearly answered my next question in the sense that it starts off clearly forecasting immigration as hazardous, and we were going to ask you what lessons you have learnt from what you have done up to now which would be helpful for the future, for example in Romania and Bulgaria. You have half answered that question already.

Professor Dustmann: I can add to that. Lessons to be learnt are that our research stands today as it stood then and we did not do anything which in any way was not serious. There is a Sunday Times journalist who since then calls me every half year and wants me to comment on the new numbers. I can only advise him to look at our report where we basically say everything we could say, given the information we had at that point in time. For Romania and Bulgaria, if we had to do the same study again, we would probably be on much more robust ground because we now know in migration from the previous accession countries and Poland, Hungary and Czech and Slovakia are not so dramatically different from Bulgaria and Romania, so we could predict these flows, and the policy of other EU countries was easier to predict than it was at that time. Therefore, it would be easier to do this now for Romania and Bulgaria than at that time for the new accession countries.

Q182 Lord Layard: Have you got any general forecasts of any of these things?

Professor Dustmann: Nobody asked us to do that, this is not something which we would do—it is not publishable in journals, so if somebody wanted to commission that we would probably do that because we think it is important, but otherwise we do not have the resources to do it.

Q183 Lord Kingsdown: You posed that the low figure was somewhat affected by what I might call remigration, people going back home.

Professor Dustmann: Absolutely.

Q184 Lord Kingsdown: Is it too early to know what is going to be the trend figure for that over the next five years? Will it move to somehow bring your original forecast back to reality—we do not really know, do we?

Professor Dustmann: I would think we are probably much closer on the reality of it in this period in 2014 than people suggest we are at this particular point in time because of it. Return migration is very difficult to assess. We have done an assessment on return migration of previous immigrant groups, looking at the labour force survey from 1992 to 2004. The probability that a white immigrant who is in the UK one year after in migration—probably a very large percentage go back within the first year—is still here five years later is 50%. So half of the white population settling in the UK are returning within five or six years, and considering only those who have been here one year after in immigration, so the total percentage of return migration is likely to be larger because within the first year many individuals do return. The reason we cannot assess the first year has to do with technicalities in the labour force survey. Ethnic minority immigrants have a much higher probability to remain in the country, so there the probability to still be here after five years is between 70% and 80% and for some ethnic groups there was hardly any return migration. Again, we have done a paper on that which I brought with me for your information.

Q185 Chairman: Thank you very much.

Professor Dustmann: We can do the same exercise for the accession countries.

Chairman: I know a number of people have got to go and we have a couple more questions. Lord Layard has got one and then Lord Vallance has got one, so if we can have relatively short questions and short answers we will get them in before everybody disappears.

Q186 Lord Layard: Do you expect the relatively high levels of immigration from the A8 and elsewhere to continue or is it possible that the current surge in recent years will reverse in the current years and what might cause that?

Professor Dustmann: There is convergence between the accession countries and Western Europe and at the same time there is an economic upturn in continental Europe which draws a lot of additional immigrants. Many of the countries which closed their labour markets have by now opened their labour markets to the A8 accession countries and therefore I would think that the inflow is decreasing, possibly quite dramatically.

Q187 Lord Vallance of Tummel: You will probably have had the opportunity to see the written evidence that the Government submitted to us last week: what is your assessment of that and to what extent
do the Government’s conclusions reflect the findings of the latest research?

Professor Preston: As far as it comments on our report, it is largely accurate, it seems. I would not disagree with the way it summarises what is in the reports that we have discussed earlier.

Q188 Lord Vallance of Tummel: You are happy with its conclusions.

Professor Dustmann: It was on our work and it was on other work, so we may be not completely in accordance with some of the other work, but this would not be the forum to discuss that. As long as it refers to our work, we think the assessment of our work is correct and we would agree with the conclusions.

Q189 Lord Vallance of Tummel: Feel free to discuss anything where you may differ with the rest of the report, do not feel inhibited.

Professor Dustmann: There were particular things which were mentioned such as what is the contribution of immigrants—how much do they pay into the welfare system compared to what they take out. That is an accountancy exercise where different people may put different things on the left side and on the right side. For instance, immigrants bring education with them, the UK does not have to pay for that education. If you have a young worker who is 20 years old and has maybe a high school degree, that is quite expensive, so do you put that on the benefit side or not? That is why this type of exercise can always be looked at in different ways, let me just say that. It is very difficult to do and it is very difficult to assess these things.

Lord Vallance of Tummel: You would not put much weight on it.

Chairman: We have got the message and it is a very important message too, if I may say so, and a good message on which we perhaps ought to end this session. Can I say to you both, thank you very much indeed for coming and giving us evidence. I suspect a lot of the evidence that you have given and the written evidence will require us to read it very carefully because it is very valuable for our inquiry; we are particularly grateful to you for taking the trouble to come and talk to us in the way you have. Thank you very much indeed.
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

TUESDAY 13 NOVEMBER 2007

Present

Lyard, L
Macdonald of Tradeston, L
Moonie, L
Paul, L

Skidelsky, L
Turner of Ecchinswell, L
Vallance of Tummel, L
Wakeham, L (Chairman)

Memorandum by the Trades Union Congress (TUC)

INTRODUCTION AND SUMMARY

1.1 This document presents the TUC’s submission into the inquiry into the economic impact of immigration being conducted by the House of Lords select committee on economic affairs.

1.2 The TUC is grateful for this opportunity to submit comments to the Committee. The TUC is the voice of Britain at work, representing six and a half million workers in 63 unions. We represent workers in every industry and occupation, in every town and district and from every community in Britain. Unions are currently increasing their efforts to recruit and organise migrant workers, and developing innovative strategies and tactics to represent migrant workers. In this submission we concentrate on economic evidence and arguments, as we believe that is the brief the Committee has given itself, but we can provide supplementary evidence on unions’ involvement with migrant workers if that would be helpful.

1.3 In this country, the overall economic impact of immigration is limited but positive. Migrant workers contribute more in taxes than they receive in services, and migration probably leads to slightly higher levels of employment and wages for native workers. Migration may possibly be linked to an increase in wage inequality in this country, but the evidence is not conclusive. There is anecdotal evidence that jobs may be lost and wages depressed in certain, specific sectors of the economy, but this is hard to verify and further primary research is needed.

MIGRATION BASICS

2.1 In 2005 there were 1.505 million foreign migrants working in the UK, accounting for 5.4% of all employees. In the past 10 years the number of migrant workers has increased by about 600,000.

2.2 Most migrant workers live in the South East of England—45.3% live in London and another 18.5% in the rest of the South East. This preponderance has, however, become a little less noticeable recently: in the 1990s about 45% of new immigrants settled in London, but in 2002–05 this fell to 40%.

2.3 Immigrants are, on average, younger than the native-born population: 38.4 years compared with 39.9 years; 90% are aged between 15 and 44 (figures for all immigrants, not just those in employment). Migrant workers tend to be more likely than UK nationals to work at either end of the spectrum—in professional or routine jobs—and less likely to work in intermediate jobs:

Table 1

PEOPLE LIVING AND WORKING IN THE UK BY SOCIO-ECONOMIC CLASSIFICATION, 2005

<table>
<thead>
<tr>
<th></th>
<th>UK nationals (%)</th>
<th>Foreign nationals (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, employers and managers</td>
<td>40.1</td>
<td>42.2</td>
</tr>
<tr>
<td>Intermediate</td>
<td>32.1</td>
<td>24.5</td>
</tr>
<tr>
<td>Routine</td>
<td>23.7</td>
<td>27.1</td>
</tr>
<tr>
<td>Other</td>
<td>4.1</td>
<td>6.1</td>
</tr>
</tbody>
</table>
2.4 This pattern may be changing: recently arrived migrant workers are less likely to work in professional occupations and much more likely to work in routine jobs. This is illustrated by the data for people who were living outside the UK a year before the survey:

Table 2

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, employers and managers</td>
<td>30.2</td>
</tr>
<tr>
<td>Intermediate</td>
<td>15.6</td>
</tr>
<tr>
<td>Routine</td>
<td>44.0</td>
</tr>
<tr>
<td>Other</td>
<td>10.2</td>
</tr>
</tbody>
</table>

2.5 This shift has taken place despite the fact that migrants continue to be better educated than native workers. A study for the Bank of England looked at the age when people left full-time education:

Table 3

<table>
<thead>
<tr>
<th>Age left full-time education</th>
<th>UK-born (%</th>
<th>All immigrants (%)</th>
<th>New immigrants (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 16</td>
<td>17</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>16–20</td>
<td>66</td>
<td>52</td>
<td>49</td>
</tr>
<tr>
<td>21+</td>
<td>17</td>
<td>36</td>
<td>45</td>
</tr>
</tbody>
</table>

2.6 In recent years immigrants’ wages have on average been lower than the wages of those born in the UK, and “new” immigrants are more likely than previous immigrants to enter low paid jobs:

Table 4

<table>
<thead>
<tr>
<th></th>
<th>UK born</th>
<th>All immigrants</th>
<th>New immigrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below £5 an hour</td>
<td>10%</td>
<td>9%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Migration and Unemployment

3.1 Economic theory would lead one to expect that immigration should increase total demand, and thus the number of workers employed in the economy. The empirical evidence tends to back up this theory. In 2003 a Home Office-sponsored study summarised US and European research: “the common conclusion of this work, apart from a small number of exceptions, is that immigration has only very small or no effect on employment . . . of workers already resident.”

3.2 2006 research for the Department for Work and Pensions found “no discernible statistical evidence to suggest that A8 migration has been a contributor to the rise in claimant unemployment in the UK.” Treating the arrival of the A8 workers after 2004 as a “natural experiment”, the authors argued that, if these migrants were responsible for the increase in unemployment in 2005–06, then those districts where Worker Registration Scheme registrations had been concentrated should have seen the largest increases in unemployment. They found that there was a very slight correlation, but it was not statistically significant.

3.3 This does not mean that any individual’s job is going to be unaffected by migration. Overall the impact of migration will be to increase employment for native workers, but some employers are clearly recruiting migrant workers in preference to British workers. The Bank of England’s business contacts have been telling the Bank that “the availability of immigrant labour has been rising in the United Kingdom.” The Chartered Institute for Personnel and Development has been reporting for some time that migrant labour is popular with
employers: in their 2006 recruitment survey they noted that 15% of organisations had targeted East European migrants, and another 12% intended filling vacancies from foreign countries more generally. The survey showed just under half of employers believing that this approach was a successful in dealing with recruitment difficulties.

3.4 It seems clear that immigration does not threaten the jobs of British-born workers overall, but there can be transitional problems, and the most disadvantaged workers may be the most likely to be disadvantaged in this process. Anecdotal accounts suggest that in specific sectors there may be job losses—in the construction sector, for instance—although we know of no survey that verifies this.

**Migration and Wages**

4.1 Economic theory says that an increase in supply of one factor of production will cut the relative price of that factor and raise that of the others. Increased immigration by low skilled workers (or by skilled workers who are willing to work in low skilled jobs) should therefore cut the wages of low-skilled native workers, but raise the wages of skilled workers and increase profits.

4.2 Much of the academic debate about migration concentrates on whether the theory is empirically true. The debate is most developed in America, where in 2005 Borjas and Katz found that overall wages were unaffected by immigration, but this average was the product of gains for better-educated US-born workers and losses for high school dropouts, whose wages fell 4.8% during the 80s and 90s as a result of immigration.

4.3 Card, however, found quite different results when he looked at the impact of the 1980 “Mariel” exodus, when Cuba briefly allowed unchecked emigration and Miami’s population grew by 7% in one year. Despite the fact that these immigrants definitely earned less than other workers and had higher unemployment rates, the unemployment rates and wages of unskilled whites and blacks were not affected, and even the decline in wages and employment rates observed for Cubans seem to have been a compositional effect, with the Mariel immigrants bringing down the overall Cuban average, rather than causing any adverse changes to the labour market for Cubans already in Miami.

4.4 British studies are less divided, and find little evidence of a negative impact. The US debate has taken place against the backdrop of a low minimum wage that has been declining in value; this is very likely to have exacerbated any adverse impact of migration on low paid workers. British economic studies of migration are a more recent phenomenon than in America—the first UK report to consider this issue in detail was published by the Home Office as recently as 2003—and have all taken place after the minimum wage was well-established; this may well explain why it is harder to find evidence of a negative impact. Using data from the census, the Labour Force Survey and the New Earnings Survey, the authors of the first large study found that:

> “The main result of the empirical analysis is that there is no strong evidence of large adverse effects of immigration on employment or wages of existing workers... Insofar as there is evidence of any effect on wages, it suggests that immigration enhances wage growth.”

4.5 A more recent independent study found that “an increase in the number of unskilled migrants reduces the wages of unskilled domestic workers. However the quantitative impact of this increase is small. No discernible impact of migration is found for skilled native workers.”

4.6 A study which considered the impact of the accession of the eight East European countries to the EU noted that the data for wages did not show any evidence of a decline in wage growth either across the whole economy or for major industries.

4.7 Another DWP study of the impact of the new EU member states, published at the end of 2005, also found that there was no evidence of wage growth slowing in most industries. A partial exception was agriculture, where AEI data shows no decline but the LFS does. The authors admit that the evidence is mixed, but point to the fact that, compared to other sectors, employment in agriculture has grown very rapidly since 2004. This makes it more difficult to claim that migrant workers are displacing British-born workers, and one interpretation is that farmers are now able to recruit workers to jobs that do not pay enough to attract British-born workers, or where the terms and conditions are not sufficiently attractive.

**Migration and Taxes and Services**

5.1 The fiscal impact of migration is complicated, but a Home Office study using 1999—2000 data found that migrants to the UK:

- Paid £31.2 billion in taxes.
- Received £28.8 billion in public goods and services.
Making a net contribution of around £2.5 billion—worth about 1p on the basic rate of income tax.

5.2 In 2005 the IPPR updated this work to cover the five-year period from 1999–2000 to 2003–04. The study presented similar findings in a different way: immigrants consistently made a higher net annual fiscal contribution than British born people. During periods when the budget was in surplus, immigrants made a higher net contribution; when the budget was in deficit immigrants’ net negative contribution was lower:

- In 1999–2000, immigrants’ net annual fiscal contribution index (NAFI = the ratio of contributions to consumption of public services) was 1.06, five points higher than the 1.01 NAFI for those born in the UK.
- In 2003–04, the gap had grown to 11 points as immigrants’ NAFI stood at 0.99, while that for the UK-born was 0.88.

5.3 Although migrant workers have a broadly positive fiscal impact, there can be acute problems at grass roots level. Local councils’ expenditure varies in line with the number of people who need their services, but their revenue grants from central government are in part determined by estimates of how many migrant workers and their families live there now and projections of how many there are going to be. If the estimates are wrong there can be severe pressures on housing, schools and other services. There are similar issues for other public authorities.

5.4 The calculation of the central government grant is a more important issue in the UK than in other countries because it accounts for such a high proportion of local authorities’ funding. While most of the positive fiscal impacts of immigration accrue to central Government (through a higher tax yield), a high proportion of the negative fiscal impacts are borne by local authorities, so the accurate calculation of the revenue grants is very important. Accurate calculation of the number of migrant workers and their families in each area is obviously important, though that is not the only issue: the formula used for calculating the revenue grant to each authority does not take account of extra expenses resulting from having a large population that is transient or only resident for short periods, including language needs and the extra expenses resulting from the “learning curve” of meeting the unexpected needs of new groups.

Policy Implications

6.1 Overall, immigration has been good for this country. We have more jobs, higher wages, better services and lower taxes than we would have had without immigration and it would be a mistake to attempt to reverse the immigration that has taken place. It is important not to over-state these benefits. Other factors, such as trade and macro-economic policy, have had a more substantial impact on the level of prosperity; but it is not negligible either. The Treasury sees inward migration as accounting for 10–15% of forecast trend economic growth.

6.2 But this overall impact will not necessarily benefit everyone. There are more jobs and higher wages on average, but low-skilled native workers may find it harder to get jobs and that their wages are lower as a result of immigration. There is not much survey-based evidence that this has actually happened so far, but there is a great deal of anecdotal evidence. Low-skilled workers who worry about the impact of immigration on their employment prospects are therefore not being irrational, and the rest of us should be concerned about the implications for inequality.

6.3 To some extent the threat to native workers can be addressed by action against exploitation. Migrant workers may lack proficiency in English and be unaware of (or unable to enforce) their employment rights, which can make them especially vulnerable. As exploitation harms both migrant and native workers there is an opportunity for a win-win solution. For migrant workers, the elimination of exploitation might make them less attractive to employers, but this would be more than compensated for by improved job quality. Unions are therefore right to seek to recruit and represent migrant workers, and the Government should devote more resources to the enforcement of employment rights such as the minimum wage, entitlement to paid holidays, payment of National Insurance Contributions et cetera.

6.4 These arguments apply especially to undocumented workers, who are especially at risk of being exploited. The answer to this is not to “crack down” on migrant workers: this will not stop the UK being an attractive destination and it risks penalising large swathes of the economy to protect very limited sectors that may be suffering problems. In addition, tougher penalties for undocumented migrant workers will simply leave them in a weaker, more vulnerable position, more likely to be exploited. Instead a union response will be to call for more effective policing of employers who deny basic employment rights to any group of employees, combined with a clear route to regularisation for undocumented migrant workers.
6.5 A final element of the union response is to call for improvements in the social wage. British society generally gains from migrants’ impact on output and their net fiscal contribution; it is only fair that the bulk of any gains should be used to enhance social security and services for those workers who may lose out, especially through extra rights to training and higher social benefit rates. The Treasury has recognised the case for “appropriate social protection instruments” to “prevent the most severe effects” of “short-term adjustment costs”. Unfortunately the Treasury confines its discussion of the social purpose of social protection to the prevention of absolute destitution—this is not a fair bargain, and unions will insist that an open economy can only be operated fairly if the gains are distributed more fairly.

September 2007

Examination of Witnesses

Witnesses: Mr Brendan Barber, General Secretary, Mr Owen Tudor, Head of European Union and International Relations and Mr Richard Exell, Senior Policy Officer, TUC and Mr Jack Dromey, Deputy General Secretary and Mr Omer Ahmed, Head of Migrant Workers Support Unit, TGWU, examined.

Q190 Chairman: Good afternoon and welcome to our inquiry; we are most grateful to you for seeking to help us with this inquiry. The first thing I have to do, though you are old hands and I do not really have to say it, is to remind you and our Committee that it is desirable that we speak up and speak relatively slowly, so we get a reasonably accurate record of what everybody has to say. You know we are going to ask you a number of questions, but is there anything you want to say at the beginning or do you want to go straight into the questions?

Mr Barber: Happy to go straight into questions. We welcome the inquiry. It is an issue on which there is a lot of ill-informed comment, so we welcome the light that hopefully your inquiry will shine onto this important issue.

Q191 Chairman: We are going to try to do just that. Mr Dromey: We hope, as I am sure will be the case, that you will be able to inform an intelligent debate, not the increasingly hysterical debate that is taking place on this issue of vital concern.

Q192 Chairman: We do not wish to be hysterical in any way. Our report will be entirely evidence-based, so your contribution will be very valuable to us. May I start the questioning then? Why have you supported free access to the British labour market for workers from the A8 countries? Bulgarians and Romanians were denied free and open access to the UK labour market when they joined the EU this year. Should this policy be reversed soon and, if so, why?

Mr Barber: A number of reasons. First, we attach high importance to the principle of freedom of movement of labour within the European Union. It is one of the founding principles and it should not be set aside lightly. We take a view of principle, but in terms of the overall judgment about the contribution that migration has made to the British economy, it has contributed in a positive way so we have a second reason for supporting full access for citizens from Romania and Bulgaria. A third point is a concern that, as they have the right of access to the country, if they are denied the right to work, then that is only creating a risk of them being pushed into the informal economy or a self-employed status, potentially a bogus self-employed status, which would be of no benefit to them, would put them at risk of exploitation by unscrupulous employers with potentially wider risks to the economy as a whole. For all of those three reasons, we think Romanian and Bulgarian citizens should have been given full access to our economy and I hope that the Government will reconsider the position with the restrictions which are currently in place.

Mr Dromey: Brendan is right on the issue of principle. Within the European Union you have freedom of movement of capital, goods, the rich, the self-employed, but on this occasion not of workers. Secondly, it is unworkable. I can just give a very practical example of what happens in the real world. One particular employer, who mercifully has had his contract terminated, provided cleaning on the London Underground. To get around the current law as it stands, he brought over 200 Bulgarians, employed them, but said “You are self-employed”. He treated those workers shamefully, the contract was terminated and I welcome that, but it is a bad example of what Brendan has been describing about the current arrangements being open to abuse. The third and final point is that it is unsustainable. Ultimately this will have to change under European Union law.

Q193 Lord Vallance of Tunnell: A number of employers have told us that migrants often have a superior work ethic compared with British workers who are sometimes described as “unwilling to do the work”. How concerned are you about immigration adversely impacting on the employment prospects and indeed conditions for British workers, especially the low paid or those who are unemployed and looking for a job?

Mr Barber: There are solid grounds for believing that migrant workers will indeed have a good work ethic. If they have travelled from their home country to
look to prosper here in Britain, they will approach that, I am sure, with a real commitment to making a success of that move. It would be entirely wrong to seek to draw a contrast and suggest that British workers somehow fall short, set against that. We can look across all sorts of areas of employment where you have extremely dedicated, successful, skilled, committed British workers and there are no grounds for drawing an unfavourable comparison with the work ethic of migrants who have come to our country. In terms of concerns about the impact on employment and pay, you will have seen from our written evidence that overall, while there are areas of the labour market where there are concerns, the contribution has been positive to the economy in terms of both employment and indeed ultimately in terms of living standards also. That is the answer to your questions about the implications for employment and the pay.

Mr Dromey: May I just add to that? By definition, to cross continents to seek employment means you are highly motivated. Our experience is that when some employers say what they have said to you, actually what that disguises is that unfortunately all too many employers take advantage of the vulnerability of the newly arrived in our society. It is not just a question therefore of them being highly motivated: it is also the workers concerned are often vulnerable and prey therefore to bad employers. It is absolutely wrong to pose migration against the importance of getting those not in work in Britain into work. The economy is expanding, the population is ageing, we need both migration—of course there is a legitimate debate about how you manage that—and we also need the kind of initiative, and I welcome this, that the Government took back in the summer, the local employment partnerships, the notion of working together with 30 household-name employers to target those not in work in Britain without work and get them back into work.

Q194 Lord Layard: I want to ask about training and apprenticeships. We all agree that British employers do far too little of it and provide too few opportunities for high quality apprenticeships. Do you think it is possible that if employers did not have the access which they have to skilled migrant labour, we could get them to do more for the domestic workforce? Obviously, there are other things we could do to make them do more for the domestic workforce, but do you think, just as an objective matter of fact, that they would have done more if there were less access to migrant labour?

Mr Barber: We have not had a lot of evidence of that reported to us by our unions, but we do suspect that there are some grounds for concern on this issue. If you just take, for example, the Olympic project, a huge project of tremendous importance to the economy overall and particularly East London where much of the Olympics are to be housed and the events to take place, that massive construction project could be entirely undertaken by migrant labour, if one simply left the key contractors to make these decisions for themselves. If that were to be the case, rather than there to be positive investment in the skills and training of others in the communities of East London who may wish to take advantage of the opportunities that the project is going to open up, if it passed the East London economy by, that would be a disaster. There is a real concern here and the Olympic issue illustrates it quite graphically.

Mr Dromey: May I just follow that specifically on the Olympics? We very much welcome that the Olympics are coming to Britain; the Olympic project is a classic example of why you must not pose migration against the importance of getting those not in work in Britain into work. To build the Olympics, we will need Polish bricklayers, but this is also a tremendous opportunity for Government to use the power of public procurement to target those young white kids out of work in Barking and those young second generation Bangladeshi kids in Tower Hamlets, with a view to offering them apprenticeships, so that a legacy of 2012 becomes a project of which we are all proud but a new generation of Barking and Bangladeshi bricklayers.

Q195 Lord Paul: Professor Bob Rowthorn told us last month “The argument is an unimpeachable one—that to defend the [wages of] locals you basically have to restrict entry by others”. How would you like to respond to that?

Mr Barber: We are not persuaded by Professor Rowthorn’s argument and the evidence suggests that the whole economy has benefited from the contribution and that overall workers benefit from rather higher wages as a result of immigration. We do not deny, particularly perhaps at the bottom end of the labour market, that there can be concerns that it has a depressing effect on the prospects for wages. We do think that there is a matter of concern. We rather thought that the Government’s evidence on this point came across as just a little bit complacent about the dangers. I would say also that the way Professor Rowthorn put the point has a rather beguiling simplicity, but I fear that a few generations ago one could have heard commentators making the same point about the entry of women on a bigger scale into the labour market and the world of work, that that would have a depressing effect on the prospects of the wages of men and so on. For the same reason that I do not think that would have been a valid or an accurate observation 20 or 30 years ago, I do not
think it is a valid observation now about the impact of migration. 

Mr Dromey: Nothing is new. I remember sitting down in Southall to go through the District Committee minutes of the 1928 District Committee of the AEF, as it was then called, the old engineering union. There was a big influx into West London of Welsh workers and they were going into the burgeoning industrial estates of Perivale, Southall, and further afield Park Royal, and the minutes recorded this exchange about the impact on the rate for the job of this influx of Welsh workers. At the end of this minute it recorded the decision of the Southall District Committee to launch a campaign to keep the Welsh out of Middlesex. I am pleased to say that was one of the most spectacularly unsuccessful campaigns that the trade union movement ever waged, because within a generation every second teacher in West London was called Dai. Nothing is new. The same was said when my father came over from County Cork, the same was said about the West Indians, the same was said in relation to the impact of women coming into the world of work. Two final related points. The first is that the reality is that we are an expanding economy and an ageing population; we need labour. Who is going to do the work? Take, for example, what the National Farmers’ Union says, and rightly so, about the importance of migrant labour in terms of the rural and agricultural economy, “Who is going to do the work?”. I am not sure what Bob is saying, and he would not say this for one moment, but short of a Pol Pot solution, which is that you drive people out of the cities into the countryside, who is going to do the work? The issue therefore is that you need the labour, and on what terms does that happen? What is utterly crucial is that you have equal treatment of migrant workers and those who have been doing it for generations.

Q196 Lord Paul: I agree with you. I have been listening to this debate for almost 55 years since the first time I came to this country in 1949. When do you think this debate will end and we can move on? 
Mr Dromey: If the politicians give leadership, hopefully that debate will come to an end. At the moment, that is not happening.

Q197 Chairman: May I just ask a supplementary that I perhaps should have asked earlier? You said two things and I wonder whether you could just expand a bit. You said that you would be concerned if you thought that the workers on the Olympic buildings all came from different parts of Europe and most of us would share that view. You also said that you would be concerned if you thought that, at the lower end of the market, there was any serious evidence of low-paid, unskilled workers in this country suffering as a result of migrant labour. What role would you expect the Government to have in either of those situations if you saw it arising? 
Mr Barber: In terms of the Olympic project, those responsible for the delivery of the Olympics, the Olympic Delivery Agency and LOCOG, the London Organising Committee, they both have a clear responsibility to look to ensure that the legacy of the Games is a positive legacy in East London, which includes some of the most deprived boroughs in the country. To ensure that that is the case, there need to be very active training strategies to ensure that there are opportunities for members of those communities, at the right time, to be able to access the training to give them the necessary skills, to take advantage of the opportunities that the Games are going to provide, not just in the construction phase but in the delivery of the Games themselves as 2012 gets closer, all the associated activities. Those boroughs neighbouring the Olympic sites ought to be able to look back on the Games as a success in providing a legacy that has really contributed to economic regeneration. That should be a part of the legacy. The Government need to be clear that that is a part of the mission and they are, to be fair, and the bodies responsible, the ODA and LOCOG, need to take that challenge up seriously and take the necessary action with the local authorities, with the training providers and so on to make sure that those opportunities are provided.

Q198 Lord Skidelsky: May I cite another professor, maybe adding to ill-informed comment on this topic? In his written evidence to us, Professor David Blanchflower argued that empirical evidence shows that wage growth has been repressed in both Ireland and the United Kingdom since A8 accession and he rather strikingly says that immigration has therefore helped the Monetary Policy Committee to hit its inflation target. What that means in plain language is that real wages would have been higher on average had there been no new immigration, that is immigration from the A8 countries. Do you think that is a reasonable assessment of the evidence? 
Mr Exell: There are two factors to take into account here. One is the lagged impact of migration on wages so that it takes time for the wages of skilled workers, who tend to benefit most from the effects of immigration, to be fully boosted by immigration; especially for the people who started coming here in 2004, that will not really have started happening to anything like the full extent yet. The second point that we would make is that there is going to be an impact which is not just lagged, a negative impact down at the bottom end of the scale. This is why the theme in our written submission was very much that overall the country is better off, however, there
are people who risk losing out, especially in terms of wages, as a result of migration. Therefore, the first call for spending of the benefits that we get to society from migration should be on helping them. If migrant workers are coming over here and part of the effect of them coming here is to depress wages in low-skilled jobs, one of the things that we want to be doing is to raise the skill levels of the people who would otherwise have been doing that work. That is definitely a role that we see for Government. Mr Dromey: May I add a practical example? There is no question of it; in some areas, for example food processing, there is a growing problem with the emergence of a two-tier labour market with more and more agency workers employed, overwhelmingly migrant, and fewer and fewer directly employed, workers here for generations, with the agency workers on inferior conditions of employment and those here for generations directly employed on better conditions of employment. That does have an impact on wages. It creates division and it damages social cohesion. You then ask, “What do you do about it?” and the solution that we have argued, and absolutely rightly so, is that it is wrong that when two people work alongside one another, one an agency worker and one directly employed, doing the same work in the food-processing company, one gets paid £2 an hour less than the other. It is then for Government to act on equal treatment of agency workers and the directly employed. Do we duck the reality that we have to confront in the world of work, that there are problems, in particular at the lower end of the labour market? Not for one moment, but we need the labour. The question is: on what terms are they here in Britain?

Q199 Lord Skidelsky: Mr Exell’s argument is explicitly a long-run argument.

Mr Exell: Oh, yes. The realities in the short term are very different and that is part of the problem of course, that the picture, especially for the A8 migrants, looks different at the moment from what it is going to look like when we are looking back from say 2015.

Mr Ahmed: Central to this particular question is to ensure that the minimum wage is secured and that the minimum wage does not effectively become a maximum wage. The key to arresting the low pay of indigenous workers is to ensure that the minimum wage is maintained in real terms and ideally increased to a living wage. Much has been agreed with cleaners in the House of Commons and also workers in the Olympics. It is absolutely crucial and all the evidence suggests that the real key to ending exploitation, ending the difficulties, the potential difficulties that indigenous workers face, is to secure the minimum wage.

Q200 Lord Moonie: What sort of issues do migrant workers bring to unions’ attention? Do they differ in any way from others? How are they treated in the workplace compared to their British colleagues?

Mr Dromey: It is important to start by saying that there are good examples as well as bad examples. May I take a good example of FirstBus? We have our ups and our downs with FirstBus, but when FirstBus needed bus drivers and could not recruit them in areas like the South West, the way they went about going to Eastern Europe, Poland in particular, to recruit drivers was exemplary, both in respect of the recruitment in Poland itself and then, when they came to Britain, how they were treated, how they were accommodated and how they were integrated into the workforce. So there are good examples and it would be wrong to pretend that it is universally bad. Having said that, there is a depressing pattern of workers who are promised the moon in their countries of origin, sometimes with such serious deception in terms of what actually happens when they arrive here in Britain that it would, in statutory terms and international law, be classed as trafficking. The awful reality all too often is the national minimum wage or less, illegal deductions, deductions for transport, housing, unspecified administrative charges. For example, often workers on the national minimum wage have deductions of between £110 and £130 a week, no contracts of employment, zero hours contracts of employment, compulsory overtime, having to pay for their own safety equipment and, in extreme cases, racial harassment and violence. In terms then of the accommodation, where all too often gangmaster employees or agency employees stay, it is five and ten to a house; sometimes actually sleeping in the premises where they work and often illegal evictions. I have been into houses and seen hot-bedding arrangements. One particular house had 16 people in a small house and they could not all be there at the same time, so it was a hot-bedding arrangement. There are such extreme examples. I remember one particular company that was employing crop pickers where a pregnant woman collapsed and they were embarrassed about the circumstances in which she had been working. When she asked for an ambulance to be called, she was told, “By all means, but you do realise that in this country, you have to pay for the ambulance to be called. If you want to leave the place of work and do it yourself, by all means, do it yourself”. There are all too many depressing examples of that kind. Just finally returning to the food-processing industry, there are some particular problems in food and agriculture. That pattern that I described earlier on of the
emerging two-tier labour market is wrong, it is divisive, it does damage social cohesion. It is strongly arguable also that in some workplaces, it is discriminatory in terms of who those are who work on inferior conditions of employment. It is overwhelmingly migrant workers. There is a sad reality in modern-day Britain which is not sufficiently focused on what, at its most extreme, is a modern form of slave labour.

Q201 Lord Macdonald of Tradeston: The TUC's written evidence says "to some extent the threat [of immigration] to native workers can be addressed by action against exploitation". We have heard examples given by Mr Dromey about exploitation. How could that best be reduced? Does the UK need more resources and/or new enforcement policies for ensuring employer compliance with the minimum wage with health and safety regulations, especially in respect of migrant workers?

Mr Barber: The answer is yes and this is a hugely important issue. Just very briefly to echo Jack’s description of some of the issues that migrant workers face, within the TUC we established just in the course of the last year a commission on vulnerable employment, involving not just trade union colleagues but colleagues from the employer community, independent colleagues from the academic world as well. We have paid a series of visits to different parts of the country and have heard too many harrowing tales of the kind that Jack has described for anybody’s comfort. However, a common theme that has come through all of that work and the contact that we have had with voluntary organisations and the statutory agencies that are responsible for enforcement of the legislation, is that at the moment enforcement is just utterly ineffectual in too many areas. You start with the basic point that many migrant workers will not have the basic English language skills and may simply be utterly uninformed about the entitlement and protections that they are meant to enjoy. While efforts are made to redress that, it is clear that huge numbers of people start with that basic disadvantage. Then there is the level of knowledge about where to turn to if you find yourself facing an abuse that you think may not be lawful. There is a patchwork quilt of agencies with responsibilities for all of the different issues in the world of work. Minimum wage enforcement is the responsibility of HMRC, health and safety is the responsibility of the Health and Safety Executive and local authorities also. For many of the basic issues around the contract of employment, the kind of examples of under payment that we have heard about time and time again through the work of the TUC Commission, you need to use the employment tribunal system to seek a remedy. All of these agencies are very, very under-resourced. HMRC have at the moment something like between 70 and 80 staff responsible for the enforcement of the minimum wage across the whole of the economy. The Gangmasters’ Licensing Authority, with their specific responsibilities for gangmasters in agricultural and food processing, have 27 officers at the moment. The Health and Safety Executive have seen a massive reduction in their staff. Formerly, they had a staff of over 4,000, currently now down to 3,500, and with a further major cut in the number of field inspectors responsible for the visits to workplaces. In an average small business, you are likely to find yourself visited by an inspector on behalf of the Health and Safety Executive something like once in every 300 to 400 years. It is a bizarre statistic. The picture that we have seen is too much that amongst those unscrupulous people who are prepared to exploit systematically—and these cases we have heard about, these are not isolated examples of people falling into a bad practice occasionally, these are systematic examples of real exploitation—at the moment they take place in an area of impunity where people will simply not be able to find a remedy. At the moment, we are considering proposals for a radical shake-up of the enforcement arrangements and I hope that that is something that this Committee would be prepared to support and I hope that it is an issue that the Government will be prepared to attend to.

Mr Dromey: May I just add briefly to that? Number one: you need, as Brendan has argued convincingly, to enforce the existing law. Number two: there is a legitimate case for the extension of regulation in relation to equal treatment of agency workers and the directly employed and also gangmasters across the economy as a whole. The final point I would make is that whilst Government have a responsibility that they must discharge, we should not always look to Government for all the solutions. May I give you a practical example of that? It is how clients procure that can have a major impact in terms of exploitation. The supermarkets abuse their market power along the food industry supply chain. That inevitably impacts upon wages and conditions of employment. It is that abusive market power that is driving that two-tier labour market in too many food factories. The banks and the finance houses in the City of London—it was absolutely wrong that you had a successful commercial centre, and I am glad that we do have a successful commercial centre in our country, but the only problem was that the cleaners were on the national minimum wage, no sick pay, no pension and basic statutory entitlement. Dare I say it? Even in this building we had a problem. The good women, the housekeepers in the House of Lords, directly employed on good conditions of...
employment with a good pension, but until two years ago the two contractors operating here paid just above the minimum wage, no sick pay, no pension and basic statutory holiday entitlement. Do I blame the contractors for that? Of course they have a responsibility, they are the legal employer, but it was the House of Commons’ authorities trying to get cleaning on the cheap that was driving down the wages of those cleaners. So Government should act, but all those with responsibility to act should also discharge those responsibilities.

**Q202 Lord Skidelsky:** This question follows very much from the last one. How many migrant workers have joined unions and by how much has this boosted union membership and also revenues from membership fees? Do you consider recent migrants from Eastern Europe and elsewhere as a major new pool of potential union members? The intuition behind that question is that since most of them say they only want to stay a short time, they may not attach much priority to becoming a union member and simply take their chances in the labour market as it is. Do the unions have a particular role in relation to the A8 accession migrants?

**Mr Dromey:** The starting point must be this, that all those with a responsibility to act, including trade unions . . . We cannot blame others unless we rise to the challenge ourselves—and we have invested enormous resources in what we regard to be a moral cause without counting the pennies. May I give you a very practical example of that? I coordinated the drive around bringing the Gangmasters’ Licensing Bill into law. It was a remarkable coalition along the food industry supply chain and, I am proud to say, with all-party support in both the Commons and the Lords. Have we as a consequence seen thousands of gangmaster employees joining the union? No. Was it the right thing to do? Absolutely. Having said that, it is of course the job of trade unions to organise workers and to be brave in doing that. I am sure none on this Committee would think this, but if anyone thinks this is an easy position to take, believe you me, when you stand up and say that we should reach out to the newly arrived, embrace them and ensure that everyone is treated equally and fairly, you can get a very difficult response from within your own union. Let me just give you a practical example of that. I remember reading out a letter to our executive last year where, after I had made a particular public speech acting as a champion of migrant workers, I received an anonymous letter from somebody signing themselves “A T&G member,” who accused me of being a “Wog lover”, a “Nigger lover” and bringing “Islamist shit” into Britain. It is not easy to take the stand that we have taken, but we take it unashamedly because it is the right thing to do.

**Q203 Chairman:** Would you still reckon that not too many of them are joining the unions as a result? **Mr Dromey:** It depends where you are talking about. Amongst gangmaster employees the nature of the industry is such that the turnover is so high that that does not happen. In food factories, in car factories, where there are large number of migrant workers, yes. Our experience is that they are good trade unionists and the key from our point of view is to embrace them and to ensure that all those work together, workers here for generations, many themselves, by the way, second, third and fourth generation migrants, working with the newly arrived. **Mr Barber:** Very briefly, if I may, just to say that there are very active programmes by a number of unions to seek actively to recruit and represent migrant workers, producing literature in relevant languages, establishing in some unions, branches that have been dedicated to helping to bring Polish workers together, for example, in different parts of the country. Although some are clearly short stay who will come to Britain for a relatively short time with a view to returning home, of course some are coming with a real potential to permanent settlement. It is important to reach out very actively to them.

**Q204 Lord Turner of Ecchinswell:** If I may, two questions—the second one is going to be very broad but the first one is on the paper that you were given. Your written evidence cites, in Note 27, the National Institute estimate that “immigration has raised British GDP by 3.1% since 1998”. It would be quite surprising if it had not because there are just more people who are employed. However, the very same paper found that 3.8% of the population is now made up of migrants who have entered since 1998. If you put those two facts together and work out what must have happened to GDP per capita, that implies that it has been pulled down by 0.6 of a percent. Not a huge amount, but a slight negative. If that is the case, if they have got their figures right, does that not contradict your assertion that British society generally gains from the immigrant impact because the most reasonable interpretation of British society would be GDP per capita surely, not GDP? **Mr Exell:** It is very observant to note an aside in a footnote, but when we got this question, it did prompt me to return to some of the reading that I had done after we had submitted our written comments and there is a more recent National Institute report. Rebecca Riley is again one of the authors but this time with Ray Barrell and John Fitzgerald from ESRI in Ireland, EU enlargement and migration: Assessing the macroeconomic impacts. NIESR Discussion Paper No. 292. I will leave a copy here. That makes the point that I found from talking through with people that I am particularly bad at
explaining. It is the point about lagged impacts. Barrell and Riley say “Following a small reduction in GDP per capita in the short term in the EU-15 receiving countries, GDP per capita rises in the longer term. The reduction in the short term comes about as it takes some time for the capital stock to adjust to the inflow of labour and for the additional labour to be absorbed into employment. In the longer term, GDP per capita rises as the population of working age increases relative to the population as a whole”. There is a table which shows that the impact of EU enlargement and migration since the A8 entry has been negative on GDP per capita up till now but in 2009 they expect it to start rising and by 2015 they expect the positive impact on GDP per capita to be higher than the worst year of negative impact on GDP per capita.

**Q205 Lord Turner of Ecchinswell:** Do you know whether they also expect GNP per capita to be positive, given that the implicit assumption there is that capital will come in to match that labour and presumably there is then a net flow of income out on the return to that capital? You would have to know that to know whether we were actually better off.

**Mr Exell:** Yes. They have not given any figures for GNP per capita, but certainly, going to the broader points behind where you are saying, we would not underestimate the significance of GDP per capita. In other contexts it is one of our favourite statistics; so we are not going to understate its importance now. There are two things here. First of all, the likely effect is not only the impact of capital, it is also the impact of the time it takes for immigrant workers to learn British ways of working; it is also the time it takes for British companies to get the most out of immigrant workers. It is not entirely an effect of capital inflow.

The second point that we would make is that until recently, most migrant workers have on average been earning higher wages than the average for native workers, so the impact of GDP per capita will have been positive. In terms of the A8 immigrants, there it is really too early to say, to be honest, but the early indications do seem to be that A8 migrants have been going into lower-paid jobs, but then, on the other hand, they are leaving the country quite as well. So we would not pooh-pooh concerns about GDP per capita, but we do not think it undermines the case that overall the country is better off as a result of migration and therefore can afford to compensate the people who may be at risk as a result of this.

**Mr Dromey:** The problem about where this debate goes is that Migration Watch then leap on the statistics and say “There is no benefit to our economy”. It could not be further from the truth. Who would pick the crops, work in food, drive the buses and build the houses without those migrant workers. They put in more, they take out less, they contribute towards the dynamism of the economy, real wages have risen by 24% and they expand the economy with more vacancies. Incidentally, there is also a wider context to all of this: £28 billion, the benefits for example of overseas students to our economy on the one hand and, on the other hand, the startling statistic that the World Bank has recently come up with of £20 billion that goes from the first world to the third world by way of remittances from migrant workers sustaining their families and their communities back home. So there is real benefit, both to our economy and also to the global economy and for the Sir Andrew Greens of this world to describe that as being marginal and a Mars bar per week misses the point, to say the least.

**Chairman:** You have made the point that you wanted to make anyway, so that is fine. Thank you for saying you would give us the additional evidence that you want which we would like to look at.

**Q206 Lord Turner of Ecchinswell:** Coming straight back to the point you have just made about who would do the jobs, you are asserting that, whatever else, we need the labour. Can I ask a very general point about that? That does imply that we need a permanently expanding population. Were it not for migration, according to the GAD figures, at the present fertility rate the UK population would pretty much stay flat at 61 million between now and 2050; with the latest forecast on immigration it goes up to 75 million. If we are saying that is essential for our economy, it is presumably essential for every other economy in the world which means that if indeed the world population, as per the UN forecast, stabilises at about 9.5 billion by the end of this century, that is going to be a problem; a problem that we will have to reverse to make sure that it keeps on growing. Are you saying that there is something about human society that it needs to be permanently growing in population level? Does that give you no concerns about world environmental sustainability when we think about that at the level of the world rather than at the level of UK?

**Mr Dromey:** You need to have a sensible debate around exactly that: sustainability. The danger about the debate in terms of how it is going is that if you say on current trends 10 million more people will come into Britain, first of all that assumes that current trends will continue. Current trends are not the law of God. Second, it then feeds this dangerous debate which is increasingly focused on numbers. When you end up with the rhetoric of “floods of immigrants coming into our country” associated with some of the tabloid hysteria about “they are taking all the jobs”, according to the *Daily Express*, “they are going to the

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**THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE**

13 November 2007  
Mr Brendan Barber, Mr Owen Tudor, Mr Richard Exell,  
Mr Jack Dromey and Mr Omer Ahmed
top of the housing queue”, again according to the Daily Express, it is wrong. A sensible debate around the medium-term long-term needs of our economy, absolutely; around the management of economy, absolutely. It is time we had an intelligent debate and not a debate which is increasingly xenophobic in its nature.

Q207 Lord Turner of Ecchinswell: I entirely accept that, but it does mean that one might have to be careful of extreme arguments on the other side. The implication of your statement that we need the labour is that if in five years’ time it turns out immigration happens to fall to zero because A8 is complete and the Romanians and Bulgarians do not get there, you would be saying “We have not got them, we have to go and find more immigrants” rather than simply saying “Well, what is, is what is and we will manage with what is”.

Mr Dromey: Needs change; you cannot extrapolate too much from current trends. Yes, we need managed migration but what we do not need is a debate which summons up the image of 10 million about to land on our shores as though they were going to decamp from submarines at midnight.

Q208 Chairman: You were quoted in the press in April as saying the economic and moral case for an amnesty for illegal immigrants was overwhelming. Could you explain the economic case and what is the TUC’s position on that?

Mr Dromey: It is important to put this briefly in context, which is that under the law as it stands you can be legal one day and not legal the next. For that army of undocumented workers, it is a miserable existence, a twilight world of uncertainty and we have had members who, when they stood up and objected to being treated shamefully, have been reported and then deported. No-one knows the exact numbers. It is said to be half a million. The question is what to do about that. Of course, you need to sort out the immigration system because it has been a mess for a generation. Number two: I have always taken the view that those who come here and seriously abuse our hospitality do not have a right to be in Britain. Number three: then what do you do about those half a million employees, and I know many of them? The cardinal has said, and rightly so, that it would be immoral to think that you could hunt down half a million people and deport them, but in terms of the economic case, the costs of that would be enormous. The National Audit Office calculate £11,000 per person, £4.7 billion, would take 25 years to do it and, incidentally, what you would have is many, many examples of what you had—do you remember—in the Shetland Islands when good local settled people came to be deported and the local community said “Hang on a second, that’s not fair”. If you have a programme of earned regularisation, what are the economic benefits? What is interesting is that the National Crime Intelligence Service talked about unpaid tax and national insurance of £3.3 billion as a consequence of what happens at the moment. That would build 132 schools and 13 hospitals. Ultimately politicians are going to have to face up to this reality. You can tell the people of Britain fairy tales: that you can hunt down and deport half a million people. Alternatively, what you can do is have a programme of earned regularisation so that individuals emerge out of that twilight world and pay tax. There are growing voices amongst employers who believe that is the sensible thing to do as well.

Q209 Lord Vaux of Harrowden: Does the planned reform of the UK’s immigration system include the policy changes you would like to see? In other words, have the Government been listening to the unions here? Specifically, what do you make of the new points-based system?

Mr Barber: On the issue of the points-based system, we generally welcome the attempt to simplify what has been a very complex system to bring about much greater clarity and transparency, but I have to say that the objectives of a managed migration system should not exclusively focus on the economic benefits to the UK. The rights of migrant workers need to be at the heart of the system and we are concerned that existing immigration law and the new system breach the rights of migrant workers under both the UN Convention on the Rights of Migrant Workers and their Families and indeed a convention of the International Labour Organisation, ILO Convention 143. We have concerns about any system that ties migrant workers to individual employers, which puts them in a particularly vulnerable position and renders them particularly open to abuse by unscrupulous employers. For example, there is a distinctive visa system that applies to migrant domestic workers and, having met representatives of those workers, I know that because of their reliance on the employer for a continued right to remain in Britain, they can find themselves being open to pretty gross abuse. If they do not get the employer’s support to remain, then they are potentially vulnerable to being instantly deported. In those circumstances, there are employers who are prepared to take pretty grim advantage of that. So we do have some concerns over the system and the new proposals for the points-based system, but we welcome the attempt through it to bring some greater clarity and transparency out.

Mr Dromey: Do we object to a points-based system in principle? No, we do not. It is about how you work it through in practice, recognising a number of things, without adding to what Brendan said, that actually
the skills that you require from outwith the European Union are mixed skills at different ends of the labour market. You need to have proper regard incidentally to historic Commonwealth ties. You need to ensure that any monitoring of the system in practice here in Britain is not discriminatory in its impact in terms of who is asked to prove their legal status and also you need to avoid the law of unintended consequences.

What Gwyneth Dunwoody was saying last week in another place was very interesting, about the inadvertent implications for her constituency in terms of care workers as a consequence of people currently here and whether they would be able to stay. Is a points-based system going in the right direction? Yes. It is about getting it right at the next stage, with ourselves of course but all other stakeholders being part of that process.

Q210 Lord Vallance of Tummel: Aside from the points-based system, are there any other policy changes which you advocated to Government which they have not picked up?

Mr Barber: We have alluded to our central concerns about the need to ensure that at the heart of the arrangement there are clear and effective measures to ensure that migrant workers are not open to abuse. That is the way of safeguarding some of the concerns about risks to pay and so on as well as ensuring dignity and decent treatment for the migrant workers themselves.

Q211 Lord Layard: You mentioned briefly the Government’s submission to this inquiry, but I wonder whether you have any other comments on what they said?

Mr Barber: We were broadly positive about the overall analysis represented in the Government’s submission. Just to say that we do welcome that there has been a very open debate with Government and we know Government have consulted with us and other stakeholders too as they have developed their thinking on policy in this area. This is an area where we think that broad-based consultation is essential and we welcome that.

Mr Ahmed: We very strongly welcome the detail and the dispassionate tone of the government submissions. We believe they have made a very significant contribution to what is clearly a very difficult area for policy makers and yes, it is something which we very much welcome.

Chairman: Thank you very much indeed. I am most grateful to you; it was a helpful session and we appreciate the time and trouble that you have taken to come to help us. Thank you very much.

Memorandum by Dr Stephen Drinkwater, University of Surrey

INTRODUCTION

1. Immigration is one of the most contentious issues on the contemporary political landscape. In the UK, debates surrounding immigration have grown considerably following the 2004 enlargement of the European Union (EU) because of the volume of immigrants that have subsequently entered the UK from the eight Central and Eastern European countries (collectively known as the EU8) that joined the EU in May of that year. Much of the discussion has surrounded the costs and benefits associated with immigration, with many of the perceived benefits relating to the economy. These include increasing growth rates, filling labour market shortages (thus reducing inflationary pressures) and improving public finances (through increasing taxes and national insurance contributions). In this paper, I will present some background information on recent immigration to the UK, which should hopefully provide a useful vehicle from which these issues can be considered. To begin with, I will briefly discuss some sources of information on immigration to the UK that are currently available and then I will use one of these data sources to examine the demographic and labour market characteristics of recent immigrants to the UK.

2. In the discussion that follows, I will compare recent immigration from the EU8 group of countries with that from other parts of the world. This has been done because the nature of immigration from the EU8 appears to be quite different to that from other countries and this is likely to have different implications for assessing the economic impact of immigration. In particular, many recent immigrants from the EU8, especially Poland, have moved to the UK either on a short term basis or engage in circular or seasonal migration. For example, evidence from the Polish Labour Force Survey (LFS) suggests that 66% of Polish migrants to the UK in 2006

1 The EU8 consists of Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. Individuals from these countries were allowed to enter the UK labour market more or less freely from May 2004, whereas the immigration of Bulgarians and Romanians was restricted following the EU enlargement that took place in January 2007.
and 77% in 2005 were short term migrants (staying in the UK between 2 and 11 months). In contrast, much of the immigration from the rest of the world, especially from New Commonwealth countries, has mainly been on a permanent basis. An important factor in the change in immigration patterns to the UK is the relative geographical proximity of EU8 countries and cheaper travel costs including the growth of low cost air fares. Furthermore, whilst London has traditionally been a magnet for immigrants to the UK, with over 40% of Britain’s immigrants living in London at the time of the 2001 Census, the location of recent EU8 immigrants has been far more dispersed. For example, only 13% of EU8 immigrants to the UK since 2004 have settled in London, compared to 15% in Anglia and 13% in the Midlands.4

**Sources of Information on Immigrants to the UK**

3. When considering the economic impact of immigration, it is important to take account of both the volume of immigration and the composition of these population movements. Although no one single source provides definitive information on immigration to the UK, several data sources exist that can provide an indication of these flows. The headline figures on the numbers entering and leaving the country each year come from the Total International Migration estimates produced by the Office for National Statistics (ONS), which are mainly based on information from the International Passenger Survey (IPS). According to the ONS, around 565,000 people migrated to the UK in 2005. However, given that the IPS covers all migrants intending to stay in the country over a year, it includes students and individuals reuniting with their families but excludes short term (labour) immigrants, a group which has increased substantially in recent years. For example, the IPS data indicates that only 76,000 immigrants arrived in the UK from Poland in 2004 and 2005. In contrast, the Worker Registration Scheme (WRS) reports that around 200,000 Poles entered the UK in these two years and a further 160,000 during 2006. Although the WRS should in theory provide a very accurate indication of the flow of EU8 immigrants to the UK it is likely to have underestimated the number of immigrants from these countries because it is thought that relatively high proportions have not registered on the scheme. Therefore, perhaps the most reliable information on the number of labour immigrants entering the UK comes from the allocation of National Insurance Numbers (NINo) to overseas nationals. In 2006–07, there were 713,000 NINo registrations by overseas nationals, which was an increase of over 50,000 compared to the previous year and more than double the amount seen in 2002–03. Almost 223,000 of the registrations in 2006–07 were made by Poles, whilst the next most important country group was Indians, with just under 50,000 registrations. However, none of these data sources contain very detailed information on the characteristics of immigrants to the UK.

4. The most reliable data source that provides detailed information on the characteristics of immigrants to the UK should be the Census of the Population. This is because everyone resident in the UK is supposed to feature on a Census form by law. Unfortunately the most recent Census, which took place in April 2001, is now rather dated. With regards to the analysis of immigration, the impact of the time between Censuses has been far more dispersed. For example, only 13% of EU8 immigrants to the UK since 2004 have settled in London, compared to 15% in Anglia and 13% in the Midlands.4

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2 Kepinska, E, Recent Trends in International Migration: The 2006 SOPEMI Report for Poland, Working Paper No 15/73, Centre of Migration Research, Warsaw University, 2006. Further evidence on the importance of short term immigration patterns from the EU8 can be found in the Accession Monitoring Report since around 60% of new EU8 migrants to the UK in 2006 stated that they intended to stay for less than a year (55% said they would stay for less than six months), with a further 25% unsure of their length of stay.


5 This survey consists of around 250,000 interviews, which is equal to 0.2% of all travellers, at major air, sea and tunnel ports in the UK. Given the relatively small number of migrants who take part in the survey, the results are subject to relatively high sampling variation, especially if one is interested in particular sub-groups of migrants.

6 Home Office et al, op cit All EU8 immigrants are supposed to register on the WRS within one month of taking up employment in the UK.


8 These statistics have been produced by the Department of Work and Pensions.

9 Although the publicly released data from the 2001 Census mainly comes in tabular form, it is possible to examine a 3% sample of returns containing all the information that can be derived from the responses to the questions on the Census form. These data files are known as the Samples of Anonymised Records, which can be downloaded from the Cathie Marsh Centre for Census and Survey Research at the University of Manchester, and the Controlled Access Microdata Sample, which contains more detailed information on variables such as country of birth and can only be analysed by researchers at ONS offices.

10 As an indication of the dated nature of the 2001 Census, only around 60,000 Polish born people were recorded as being resident in the UK in 2001, 57% of whom were aged 65 or over.
5. The LFS is a nationally representative survey that is conducted on a quarterly basis and aims to obtain a sample of around 60,000 UK households every quarter. Given that the LFS only samples a relatively small proportion of the population in any given quarter, it follows that the data contain only a fairly low number of recent immigrants, especially if one wishes to compare different immigrant groups. Therefore to obtain sufficient observations on different immigrant groups, successive quarters of LFS data need to be pooled together, especially as respondents should only be included in the sample once to avoid double counting. Thus the subsequent analysis is based on LFS data which have been pooled from 2004 to 2006 and just relates to those immigrants who entered the UK over this period. It is also possible to compare the characteristics of recent immigrants with those who had arrived in the UK previously and the UK born with cross-reference to another study that uses LFS data from 1979 to 2004 to examine the labour market performance on immigrants and natives.

The Characteristics of Recent Immigrants to the UK

6. The upper panel of Table 1 reports the characteristics of post-2003 immigrants of working age (16–59/64) from Poland and other EU8 countries. The table also presents information for three comparison groups—immigrants from Other European Countries, English Speaking Countries and Other Countries. It can be seen from the table that recent immigrants are overwhelmingly young. This particularly applies to Poles, with over 85% of this group aged between 16 and 35. There is a slight over-representation of males amongst EU8 immigrants (especially again amongst Poles), whereas there is a higher proportion of females for the other three groups. Recent Other European migrants are the least likely to be married, whilst immigrants from the rest of the world have by far the highest percentage of married persons. As noted previously, it can be seen that recent EU8 immigrants are far less likely than immigrants from other countries (especially compared to immigrants from English Speaking Countries) to have located in London and its surrounding areas.

Table 1

| Demographic and Labour Market Characteristics of Recent Working Age Immigrants to the UK |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                 | Poles                          | Other EU8                       | Other European Countries        | Other Countries                 |
| Demographic Characteristics    |                                |                                |                                |                                |
| % Male                          | 59.4                           | 54.6                           | 49.3                           | 46.6                           | 48.1                           |
| % aged 16-25                    | 41.6                           | 45.9                           | 37.0                           | 32.5                           | 34.2                           |
| % aged 26-35                    | 43.9                           | 33.6                           | 44.1                           | 44.4                           | 42.5                           |
| % aged 36-59/64                 | 14.5                           | 20.6                           | 18.9                           | 23.2                           | 23.4                           |
| % Married                       | 41.1                           | 35.6                           | 28.7                           | 44.7                           | 57.9                           |
| % living in London              | 19.5                           | 20.2                           | 25.0                           | 49.5                           | 29.4                           |
| % living in East/South East     | 20.7                           | 14.2                           | 28.7                           | 24.8                           | 20.8                           |
| % living elsewhere in UK        | 59.9                           | 65.6                           | 46.3                           | 25.7                           | 49.8                           |
| Average age left FT education   | 20.3                           | 18.6                           | 20.2                           | 20.0                           | 20.0                           |
| Employment Variables (excludes full-time students) |                                |                                |                                |                                |
| Employment Rate                 | 84.3                           | 73.1                           | 71.5                           | 78.9                           | 50.1                           |
| Self-employment Rate            | 4.4                            | 2.8                            | 8.6                            | 8.5                            | 3.3                            |
| % in Production industries      | 26.9                           | 32.4                           | 19.4                           | 12.0                           | 14.9                           |
| % in Construction industries    | 7.4                            | 9.7                            | 4.2                            | 5.1                            | 1.5                            |
| % in Retail/hospitality industries | 24.9                           | 19.9                           | 24.0                           | 17.1                           | 20.8                           |
| % in Other Services             | 40.8                           | 38.1                           | 52.5                           | 65.7                           | 62.8                           |
| Managerial/Professional         | 9.8                            | 7.4                            | 41.6                           | 62.9                           | 37.0                           |
| % in Skilled/Intermediate occupations | 15.7                           | 14.8                           | 21.5                           | 16.3                           | 17.9                           |
| % in Semi-routine occupations   | 31.5                           | 25.6                           | 15.1                           | 12.2                           | 26.6                           |

11 Recent immigrants are also less likely to be included in the LFS compared to longer term migrants or UK born people. Drinkwater et al (2008) discuss this issue and the possible consequences for analysing such data. See Drinkwater, S, Eade, J and Garapich, M, Poles Apart? EU Enlargement and the Labour Market Outcomes of Immigrants in the UK, International Migration, forthcoming, 2008.
13 See Drinkwater et al op cit for further details.
14 Moreover, the demographic information on EU8 immigrants in the LFS is very similar to that found in the WRS. See Drinkwater et al op cit for details.
7. Before examining the labour market characteristics of the groups, it is important to discuss another key demographic variable, namely educational levels. Given that overseas qualifications don’t map into UK qualifications very well, the measure of education is based on the age that the individual left full-time education. It can be seen from the table that the age left full-time education is highest amongst recent Polish immigrants but is by far the lowest for recent immigrants from Other EU8 countries. These differences partly reflect the fact that some immigrant groups have higher proportions of students, who have yet to complete their full-time education. School starting ages also vary by country but there is some debate in the educational literature as to the value of early age schooling. Nevertheless, it appears that recent Polish immigrants to the UK are relatively well educated, particularly in comparison to Other EU8 immigrants.

8. The labour market characteristics of each of these groups, which excludes full-time students, are reported in the bottom panel of Table 1. It can be seen that Poles have by far the highest employment rates for those arriving post-enlargement, followed by migrants from English Speaking Countries. For both of these groups more than three-quarters of individuals entering the UK after 2003 were employed at the time of their interviews. Employment rates are lower amongst the other three groups of recent immigrants. Some of these differences are due to inactivity amongst females, especially among immigrants from Other Countries, but there also appears to be relatively high levels of unemployment amongst immigrants from Other EU8 countries and the rest of the world. In terms of types of employment, it can be seen that the five recent immigrant groups all have very low rates of self-employment. Although this isn’t so surprising given that it may be more difficult for these individuals to raise the capital required to start a business in the UK, much higher self-employment rates are observed for EU8 immigrants who arrived shortly before enlargement, probably because entry to the paid labour market was more restricted at this time.

9. Recent immigrants are mainly employed in the service sector. This is far less pronounced for other EU8 immigrants, since almost a third are employed in production industries. Around a quarter of recent Polish immigrants are employed in hospitality (retail/hotels/catering), which is the highest of any of the recent immigrant groups. For the recent non-EU8 immigrants, there is an over-representation of those from English Speaking Countries in finance and real estate, of Other Europeans in education and of immigrants from Other Countries in health. In terms of occupation, post-enlargement EU8 immigrants have mainly been employed in semi-routine and routine occupations, with around three-quarters of Poles and Other EU8 migrants holding such jobs. This contrasts sharply to the experiences of other recent immigrants since 63% from English Speaking Countries and 42% of Other Europeans have professional/managerial jobs, compared to less than 10% from EU8 countries.

10. Average earnings are around £6 an hour for recent Polish and Other EU8 immigrants. This is far lower than the earnings of other post-2003 immigrants to the UK and well under half the amount earned by those from English Speaking Countries. There is also a lot less variation in the earnings of EU8 immigrants, with the vast majority employed in jobs paying around the National Minimum Wage. There are fairly small differences in terms of hours of work amongst the migrant groups but recent arrivals from English Speaking Countries and Poland work the longest hours. Therefore, it appears that Poles do work slightly longer hours to make up for their lower hourly earnings.

11. Drinkwater et al. op cit. further examine earnings variations between the recent groups of immigrants. They generally report that the earnings differences are preserved when a range of personal and workplace characteristics are taken into account but that occupation is important in explaining earnings differences between EU8 and other immigrants to the UK. A possible explanation for this finding is the migration strategies employed by EU8 migrants, in particular the much higher proportions engaging in short term and

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**Table 1**

<table>
<thead>
<tr>
<th></th>
<th>Poles</th>
<th>Other EU8</th>
<th>Other European</th>
<th>English Speaking Countries</th>
<th>Other Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>% in Routine occupations</td>
<td>43.0</td>
<td>52.3</td>
<td>21.9</td>
<td>8.6</td>
<td>18.5</td>
</tr>
<tr>
<td>Average hours of work</td>
<td>41.7</td>
<td>39.7</td>
<td>39.2</td>
<td>41.7</td>
<td>37.1</td>
</tr>
<tr>
<td>Average earnings</td>
<td>6.01</td>
<td>5.88</td>
<td>9.75</td>
<td>13.14</td>
<td>8.57</td>
</tr>
<tr>
<td>Sample Size</td>
<td>421</td>
<td>253</td>
<td>408</td>
<td>311</td>
<td>881</td>
</tr>
</tbody>
</table>

Source: Drinkwater et al. (2008) op cit, taken from Table 2.

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16 Dustmann and Fabbri *op cit* report that immigrants had both a slightly higher percentage of graduates and individuals with no qualifications compared to the UK born.

17 Earnings are reported in May 2004 prices.
circular/seasonal migration. However, differences in English language proficiency are also likely to play an important explanatory role but the LFS only contains very limited information on the language ability of immigrants so it is not really possible to examine the impact of this factor in any detail.18

CONCLUSION

12. Despite information on immigration to the UK being rather partial and incomplete, several data sources show the dramatic changes that have been witnessed in recent years. In particular, both the WRS and NINo registrations highlight the huge influx of EU8 immigrants to the UK over the past three years, especially by Poles, as well as their comparatively dispersed location patterns. In order to consider the composition of the recent flows, which is also important for assessing the economic impact of immigration, the LFS need to be examined. These data indicate that recent EU8 immigrants share some similarities with other inflows, both past and present, such as being predominantly young. Poles also appear to be relatively highly educated, even though the vast majority of EU8 immigrants have found paid low paying jobs. Some of this may be explained by the (short term) migration strategies adopted by immigrants from these countries but there is also evidence that many recent EU8 immigrants possess poor English language skills, although this is another area where data could be improved.

30 September 2007

Memorandum by Dr Bridget Anderson, Oxford University

DEFINITIONS AND CONTEXT

1. In the past there has been some differentiation between “immigrant” and “migrant”, with the latter being used to refer to people whose stay is anticipated to be temporary. However, the terms are increasingly used interchangeably. In considering impacts of immigration it is important to be clear about how one is defining “immigrant”.

(a) Immigrant is sometimes defined as “foreign born” thereby allowing for the fact that one can be at the same time a British citizen and an “immigrant”. Thus while arguments tend to be couched in terms of individuals being either British or immigrant, this definition potentially recognizes that such a dichotomous presentation oversimplifies the case. However, in analytical practice one’s impact on the economy is always counted as that of an “immigrant” even when, in law, one is a British national. Moreover, there is some divergence between what is popularly understood by “immigrant” and the group captured by this definition: Prince Philip, Cliff Richard, Joanna Lumley are all immigrants by this definition.

(b) The use of terms such as “second generation immigrant” further confuses the matter. This implies that even those born in the UK to British citizens are in some ways an “immigrant” and blurs the line between “immigrant” and “ethnic minority”. Only those who are ethnic minorities can be identified as “second generation immigrants” in the Labour Force Survey, for example, which does not ask parents’ country of birth. Those concerned with identifying the economic impact of “second generation immigrants” must look at the impact of ALL second generation immigrants, in order not to give a partial picture. But the limitations of data mean that this is extremely difficult and in practice this is rarely done. The term “second generation immigrant” therefore tends to be racialised, both in research and in common parlance and should be treated with caution.

(c) Immigrant may be more tightly defined as persons who are not UK citizens, and who do not have the “right of abode” in the UK (ie are not British subjects). Those people who have Indefinite Leave to Remain and no employment restrictions as well as EU nationals count as immigrants under this definition, however long they have been in the UK. However the “foreign born” who have British citizenship are counted as British nationals.

In this submission I am using immigrant/migrant in the terms described in the last of these definitions, as this captures some of the complexity around the term without getting bogged down in the detail. It should be noted that this definition also allows for including those non-UK nationals who have the right to work, but who are not commonly considered in discussions on migrant workers—the spouses of work permit holders, students, or working holidaymaker visa holders for example.

18 For the period under consideration, basic questions on English language usage and difficulties are only included in the third quarter of 2006. The data do however indicate that recent EU8 migrants were more likely to have experienced language difficulties in finding or keeping a job. In particular, 28% of Poles and 38% of Other EU8 migrants had experienced language difficulties in obtaining or keeping a job, compared to less than 20% of immigrants from Other European countries and the rest of the world.
2. Migrants are not disembodied, they are men and women and of different ages and ethnicities. This can be important in appreciating demand for labour especially in labour markets that are highly segmented by age, gender and/or ethnicity.

3. In considering the nature of the demand for migrant workers one must first consider the question of whether there is in fact a demand for migrant labour per se. There may be a demand for a certain type of worker (for example, with particular skills or qualities, “flexible”, low waged etc), who in practice is a migrant, but who in theory could equally be a UK citizen. This is not to be equated with a demand for people of a particular immigration status (including those who are illegally resident) though the two may also be related.

Why do employers want to hire immigrants?

4. Reasons given for persistent vacancy rates and recruitment difficulties are clearly sectorally dependent. It is important to distinguish between skills shortages such as some construction trades, or social workers, for example and labour shortages. The two can be confused, sometimes because of different ideas of what constitutes “skill” (see point 8 below). On labour shortages research conducted by COMPAS in May 2005 on the employment of Central and East European nationals found that “salary not attractive” was given as one factor in recruitment difficulties by 40% of hospitality employers surveyed, and 46% of agriculture and food processing employers (it should be noted that this survey was not representative).19 77% of A8 nationals who applied for registration between May 2004 and June 2007 earned £4.50–£5.99 an hour.

5. Other factors given by employers to account for recruitment difficulties include hours (unpredictable, too long, too short, or anti-social), the location of work, and having to live in tied accommodation. One might characterize these kinds of factors as to do with “work life balance”. That is, they feature in work that is difficult to balance with family or social commitments or pleasures. Relatively “new” migrants, who have left communities behind and who have not yet established themselves in the UK—or who are simply planning to make as much money as they can and return—might well be more prepared or required to work in situations where poor work-life balance is systemic as compared to many UK nationals, particularly those with families to care for. (Some UK nationals of course uproot and may take up similar jobs in foreign countries, as gap year students or working holidaymakers among others.) Certain types of immigration status that are temporary or that require part time working may also predispose migrants to work in this kind of job. It should be noted that these statuses are not necessarily formally represented as migration for employment. For example, a working holidaymaker visa holder may work for 12 months of their allotted two year stay and a student may work for 20 hours a week in term time and 40 hours out of term time. In 2005 284,000 students were given leave to enter, and 56,600 working holidaymakers. All these would be non-EU nationals. These numbers are not insignificant when compared with the 91,500 of work permits granted.

6. Employers in most sectors present their employment of migrants as not just a “good enough” solution to otherwise unmanageable recruitment difficulties, nor providers of labour for basic jobs. They frequently claim that they are ‘good workers’. Employers at times publicly attest to what several academic studies have found that a perceived determinant of why they employ migrants is “work ethic”. Migrants may even be contrasted with UK nationals, who are characterized as lazy and unreliable. This difference tended to be explained by references to “culture”, attitude and poverty (Anderson et al 2006; Matthews and Ruhs 2007).

7. These notions of “work ethic” are highly subjective and potentially simplistic. Indeed it is interesting to see them feature in otherwise scientific analyses of immigration. I would note firstly that employers are not necessarily comparing like with like. Indeed a further observed advantage of migrant labour is that migrants are often high quality workers for low waged work. That is, the UK worker who might, on paper, do a particular job, is not the equivalent, in education for example, of the migrant worker. This certainly seems to be the case for some A8 nationals. For example a survey of 120 migrants doing entry level jobs in the hospitality sector, found that more than one third had tertiary level education. It is interesting to note that this advantage is also attributed to the employment of students (Canny 2002). The impact of EU Enlargement on the student labour market (which of course itself includes many foreign nationals) has not, to my knowledge, been researched, but it is here that I would anticipate any displacement being most obvious.

8. Employers also value “soft skills”, some of which may be encompassed in the term “work ethic”. Indeed this might also help account for the common elision between skills and labour shortages. Work which is “low skilled” in terms of its NVQ level requirements, may still be better performed by people who have good people skills, or who are good team workers. Moreover, “low skilled” does not mean that “anyone” can do it, or that one can simply replace one worker with another. For example I suspect that many parents would not be happy having a redundant ex-steel worker being a live-in nanny for their toddler. An interesting example is the recent development in the senior care workers’ permit. Care assistants who had entered the UK on work permits and

19 See www.compas.ox.ac.uk/changingstatus.
were given one or four year visas had (in some cases unexpectedly) to apply for extensions to their permits following the April 2007 change in requirements for ILR from four to five years. Their skills and experience level were no longer considered high enough to warrant such a renewal and applications were refused. The Border and Immigration Agency conceded as a transitional measure that the skills criteria would be waived, but that minimum salaries must be increased to £7.02 an hour. There is no national or UK pay agreement in the social care sector and many SCW posts are paid at or slightly above the NMW. Residential and nursing homes retorted that a pay rise was not possible unless the Local Authority rates for care provision were concomitantly increased. They also argued that many SCW currently in the UK who were now unable to renew their visas had developed close relationships with residents, such that they could not be simply “replaced” by an A8 national (as policy proposed).

9. Highly flexible labour markets loosen the relation between worker and employer. While this means, crudely speaking, that hiring and firing becomes easier, it can also cause problems for retention. While attention has been paid to recruitment difficulties with respect to demand for migrant labour, there has been much less work on retention, and labour turnover is typically not costless. Theoretically in low waged, low skilled and deregulated labour markets, workers have every incentive to move if a better offer comes along, and the control employers exercise over labour mobility may be limited. Under such conditions the workings of immigration status can offer employers certain advantages (Anderson 2007a). These are most commonly portrayed as the advantages of physical and abusive control exercised by profiteering and exploitative employers over “illegal” or “trafficked” immigrants. While this does indeed happen it is important to recognize that this picture is rather simplistic. Firstly the debate on “illegal immigration” is mired in confusion about what actually the phenomenon is. Most particularly there is a confusion between illegal residence (that is people who entered illegally or who have overstayed their visa), and illegal working. That is, the people who are residing legally but who are breaking their so-called “conditions of stay”. Examples would be au pair visa holders who have taken on additional cleaning work, or students working in excess of 20 hours a week in term time (Ruhs and Anderson 2006). Moreover this stereotype relies on employers having perfect knowledge of migrant workers’ statuses. Not only may this not be the case—as recognized in the statutory defence against employing illegally—but it underestimates the range of ways in which employers can choose not to know: thus an employer might suspect that a language school is bogus, but fail to investigate.

10. There is a surprising inattention to the possibility that migrants may be preferred because of their immigration status. Most particularly being on a work permit or other type of visa can limit labour market mobility which can be of advantage to employers in flexible labour markets where labour mobility is particularly highly contested. Employers do not have to resort to threatening illegal residents with discovery. Migrants who are working legally on permits or through schemes will have legally enforceable constraints on their movement, thereby facilitating retention. The removal of this constraint on A8 labour was of concern to users of Seasonal Agricultural Workers, and au pairs prior to EU Enlargement. It is one of the main reasons that employers of domestic labour, particularly carers, give for hiring non-EU nationals. Thus in certain circumstances, rather than acting as a mechanism for protecting labour markets, certain types of immigration statuses may make migrant labour more attractive to employers who are concerned with retention.

11. Employers may not actively choose migrant workers, but may just “end up” doing so. For agency workers, for example, it might be that these are simply the workers provided by the agency. That is, migrant working may be a result of recruitment processes. The WRS data suggests that a large number of A8 nationals are working as agency workers.

12. The role of migrants in providing care and domestic services is frequently overlooked in considerations of the economic impact of immigration. According to the Dept of Health/Department for Education and Skills in 2006 the vacancy rate in the social care sector as a whole was double that for all types of industrial commercial and public employment. In London the vacancy rate for social care posts (defined as the number of vacant posts as a percentage of the establishment) was 14.8 and employers routinely complain that there is a “lack of recruits” from the UK and the European Union.

13. The numbers of private employers is difficult to estimate, and the nature of services provided to private households is diverse and can include widely jobs from childcare to garden maintenance, answering the door to cleaning the toilet. In the UK nearly one in three households with two people working employ domestic workers. There are two main types of visas for work in private households, the au pair visa and the visa for domestic workers accompanying their employers. However migrants with a range of statuses work in this sector. Migrants working in these sectors are very hidden, as many are likely to be working in breach of conditions or informally (Anderson 2007b).

14. Increasingly the focus is on the provision of care for older people within the context of the ageing population. The unsustainability of relying on unpaid mid-life family labour when women are in full time in employment, has been recognized, but equally the high cost of formal eldercare can make other solutions
untenable. Domestic services are critical to the working of nearly half of those households employing domestic workers. In the UK there is a planned expansion of “direct payments for care”, along the lines of other European states. In all states these changes have had, and will continue to have impacts both on the labour market for care and on individual care relationships. They may also foster the development of an informal market for care in which migrants, and particularly undocumented migrants, may be regarded as desirable workers. The economic impact of this kind of employment is likely to go unremarked, but it is important in facilitating employment, particularly female employment.

5 November 2007

Examination of Witnesses

Witnesses: Dr Stephen Drinkwater, University of Surrey and Dr Bridget Anderson, Oxford University, examined.

Q212 Chairman: Good afternoon and thank you very much for coming along and helping us with our inquiry. I am told on all occasions to say to the witnesses and to remind ourselves that it is helpful if we speak up and speak relatively slowly so that we get an accurate report of what you have to say. We have a number of questions to ask you. Are you happy to go straight into the questions or do you want to say something in advance before we start?

Dr Anderson: May I say something to start? It is really important when we are looking at analysing immigration to have a clear definition of what is meant by “migrant” or “immigrant”. It seems to me that sometimes there is a degree of slippage and confusion, particularly between “foreign born” and “foreign national” and that, furthermore, when we hear talk of “second generation”, there is actually a need to unpack how helpful that is in understanding the impact of immigration since in large-scale datasets you really are only going to pick up ethnic minorities. In the labour-force survey, for example, you do not ask for your parents’ country of birth, you ask about ethnicity. Therefore some of the statements that can be made about the impact of immigration in terms of second generation can be rather confused since the picture is somewhat partial. It is also important because actually different people have different understandings of what is meant by a “migrant” or an “immigrant” and it is important to be clear about that. For example, while the Government quite often use “foreign born”—certainly in their evidence they referred to “foreign born”—employers, when they are talking about how marvellous the work ethic is of migrant workers, typically really mean relatively recent arrivals. They are not really talking about foreign-born people per se. I just wanted to call for a degree of rigour about what is meant by the term.

Q213 Chairman: We have those around us who will make sure that we keep to that rigour when we come to writing our report but I am grateful to you for having drawn that to our attention. May I start? Migrants presumably come to the UK to earn higher wages. Could you talk us through some examples or data that show how much more Central and Eastern European migrants can earn here than in their home countries? Are there any other factors that attract migrant workers to the United Kingdom?

Dr Drinkwater: Obviously, a number of data sources are available and the estimates do vary between them. Some recent Eurostat statistics from 2005 indicate that annual salaries in the UK are round about four times as high as they are in countries such as Poland and the Czech Republic, and in the Baltic States they are even lower than that, whereas the highest of the A8 countries was in Slovenia which was just under £10,000 a year compared with an average of about £22,000 in the UK. That is in terms of gross wages. There are also differences in terms of taxes as well and social security contributions which also tend to be higher in the accession countries.

Dr Anderson: Could I maybe challenge the “presumably” just a little bit; “presumably, they come for higher wages”? We also have to move beyond the conventional image of the labour migrant if we are looking at the impact of immigration as a whole. For example, there are many people who come over as spouses who then work in the labour market; there are working holidaymakers, large numbers of students. So the picture of the economic migrant can sometimes be rather stereotyped. In research that we have conducted at COMPAS what we have found was that, yes, wages matter, but also actually, particularly from Central and Eastern Europe, people were coming also for experience, to have fun, to see what life was like. Of course, I am not saying that that would be the same for migrants who have travelled long distances from other countries but we need to complicate the picture a little.

Dr Drinkwater: We have done some research as well in Surrey in terms both of in-depth interviews plus fairly large-scale questionnaires which also indicate that lifestyle desires are important issues in terms of young migrants from Central and Eastern Europe. So it is not just wages, especially as they tend to work in relatively low-skilled jobs, certainly initially when they enter the UK labour market.

Q214 Lord Skidelsky: There are so many ambiguities in the statement “four times as high” without further elaboration. What is the basis of
Q215 Lord Skidelsky: It is gross wages.
Dr Drinkwater: The figures were from Eurostat converted into pounds. They do vary. The data which have been converted into PPPs actually show that the differences are smaller, but if you look at those, again they are roughly four times as high in terms of the nominal differences, but then when you adjust for purchasing power, that comes down to about three times, in terms of Poland, and obviously the Polish account for about 70% of the most recent migrants from the A8.

Q216 Lord Vallance of Tummel: Can we stick with low wage sectors just for a moment? Do some employers have a particular demand for migrant labour in these sectors or even for particular migrant groups or nationalities? If so, why? What sort of characteristics or skills are they looking for?
Dr Anderson: One of the interesting phenomena about all of these discussions is the emphasis on phrases like “work ethic” and “reliability” which seem to crop up in the most scientific of documents. It is important first of all to remember that when employers are talking about migrant workers and how lazy British workers are, they are not necessarily comparing like with like, that very often, again particularly with Central and Eastern Europeans, you have people with a high level of education and that kind of person simply would not be working in food processing if they were British. Also, there is an important question of retention here. While a lot is spoken about difficulties in recruitment, actually what receives less attention is difficulty in retention and very often what you have with migrant labour is labour that is easier to retain. In a way, what is the difference between a migrant worker and a British low-wage flexible worker? Well, if a migrant worker is on a permit, they cannot leave you and actually I know that was one of the concerns that employers had with EU enlargement, because it was going to be much harder to hold on to labour. You can see that in the concerns that the NFU has for example of how you hold onto workers who work in the fields. When you are looking at migrant workers and then thinking about the new migrants, because, as I said, I quite often feel that that is what employers are talking about rather than simply foreign born, you have people who have left their families behind. You have people who are basically very, very flexible and who do not really care necessarily a whole lot about work/life balance. That kind of labour is very useful in certain sectors and that kind of labour can be very hard to get from the national labour force. If you have to pick your children up at 3:20, it is going to be much harder to be flexible.
Dr Drinkwater: In terms of particular sectors, here we are mainly thinking about sectors which are affected by seasonal considerations such as agriculture and food processing. So given the nature of the type of migration that we have observed from the new accession countries, this suits them particularly well in the sense that they will come over for seasonal periods or circular migrants as well will come over for certain times of the year.

Q217 Lord Layard: Dr Anderson, your work has suggested that social care and services to private households are very important and not adequately researched. Could you tell us a bit about the nature of this demand for labour? What is being offered and what is the role of migrant workers in particular in these sectors?
Dr Anderson: It is an important sector. We have an ageing population. We have an attempt to encourage care to take place in the home rather than in other environments and we also have the encouragement of women to go out to work, all of which rather leaves a gap in the household so there is demand for social care. This work, as we know, tends to be very low-waged and there is a problem with retention and actually retention matters. If you have an older person who is being cared for, you cannot simply substitute an A8 national for a Sri Lankan person, for example. It also shows the importance of experience and soft skills, qualities which are quite difficult to capture in the new points-based system. People quite often want good attitudes and pleasing personality rather than formally measured skills, so there is a variety of reasons why migrant labour tends to concentrate in this sector. In terms of employment conditions, it varies very widely and, particularly in private households, you can have great employers and you can have very poor employers. It is really very much up to the particular individual. One of the interesting findings of research that I did with employers of migrant carers and migrant domestic workers was that actually one of the reasons for employing a migrant was that you can transform a rather unpleasant job into a golden opportunity by giving it to somebody that you feel is very poor, is sending their money back to their family and so on and so forth. If this were a 24-year-old British person, that relationship would be much harder to manage. It is a very complicated field, but it is actually extremely important. To return to the earlier question, what you can see in both social care and private households but also more broadly in the labour market, even though employers do not want to say it, is that there is discrimination on the grounds of country of origin, certainly in private households that is a strong theme, and it is very difficult for agencies
that are providing that kind of labour to manage. It is, as they put it, “the great unmentionable” so that is an important factor too.

Q218 Lord Layard: Are you saying that although we have 16% of people aged 16 to 25 doing nothing at all in this country, these sectors are not going to attract them for some reason? Is it essentially the pay or what is it which is not leading our people to go and meet this demand?
Dr Anderson: It is pay; it is where it is. If you are living in a private household or in a nursing home in the middle of the country, that is not where a young person really wants to be. There is no career structure. It is one thing to do it perhaps with a temporary mindset, but if actually you are thinking “I’m going into this job and I’m going to be there for a long time”, that is not so attractive. It is also about employer demand. Again, certainly in private households, employer demand is a factor here.

Q219 Lord Turner of Ecchinswell: May I ask you then to think, building on what you have said, what would happen if there were no immigrants? If in ten years’ time, the countries of Eastern Europe are motoring economically and there is no further flow of people because there are jobs at home and they prefer being at home and net immigration falls to a small level, what will happen in these specific social care sectors? Will we literally have people not cared for or will the wage rate simply adjust to the level required, people will simply have to pay more for these services, if at the end of the day, they want them?
Dr Anderson: The problem with these services is that it is quite hard for people to pay more. It is quite expensive, as I am sure many people know; it is quite expensive to pay for care even at the going, very minimal rate. If there were no immigration, there really would have to be a big re-think about how social care and care of the elderly was organised—really big, back to first premises.

Q220 Chairman: Does that imply that the wages would go up because they would have to in order to get anybody, but somebody else would have to pay, either the taxpayer or someone?
Dr Anderson: It would be very difficult to have care in private homes because British people are reluctant to do that. They are reluctant to live in because of work/life balance and because there is a certain status about living in and being in that kind of relationship in a private household. Perhaps what would happen, but this is a complete hypothesis, is that wages would have to go up in care homes and that then the amount that is paid by local authorities per head for care of the elderly would also have to go up.

Q221 Lord Paul: Is it not already happening? People just cannot afford some of the jobs which people used to have and they are not taking those kinds of workers in households. Far fewer people are prepared to employ them than before.
Dr Anderson: Far less demand?

Q222 Lord Paul: Not far less demand but just affordability.
Dr Anderson: There are far fewer British workers, but there are many overseas nationals working on a wide variety of visas because there is no formal visa for this kind of work. It is pieced together somewhat.

Q223 Lord Paul: Last year your research paper stated that “many employers were prepared to bend the rules or turn a blind eye to possible infractions of immigration status”. How common is this and how serious are the infringements?
Dr Anderson: How long is a piece of string? One of the misconceptions around illegal immigration is that basically it is very simple: you are either legal or you are illegal. The paper that you were referring to is really explaining that the situation is much more complicated and introducing the notion of semi-compliance which is basically people who are residing perfectly legally, but breaking the conditions on which they were allowed to enter. For example, students are allowed to work in term time 20 hours a week. Many students work far more than that, so we would call that semi-compliance. In terms of how prevalent it is, in the research that we did before EU enlargement—and we have to have all sorts of caveats about the sample because it was not a random sample—just over two thirds of student visa holders were working in excess of 30 hours a week outside of term, so significantly breaching the rules. Interestingly, over two thirds of au pair visa holders who are not allowed to work outside the home were working outside the home as well as for their host family. How prevalent is this? Well, it is difficult to say. On the one hand, you might say “All this has been done away with, with a sweep of the hand, because of EU enlargement those people would no longer be semi-compliant”. But of course for A8 nationals there is still the question of whether those who ought to register with the Workers’ Registration Scheme have registered, but you also have to look more deeply at the structural questions and the complexity both of the immigration system and of the de-regulation of the labour market to see there is space here for bending the rules and it is easy to break the rules and you might not even know that you are doing so. I would not like to hazard a guess, but I would say that you need to look at the structures. The structures are there for this kind of thing to continue. How serious it is is a political decision. If you have a student who is working 21 hours a week, 25 hours a
week, 30 hours a week, when does that become a problem? One of the things that we found that was interesting was that while some of the infractions would not be a problem to the person on the Clapham Omnibus, for example with au pairs, we found that most host families actually were actively encouraging their au pair to work outside the house, “Get yourself a job in a bar, earn a bit more money”, actually they are encouraging them to break the immigration rules, but they are not thinking “Oh, I am facilitating illegal immigration”. Finally, you can see in the Government’s document Enforcing the Rules, which came out in March 2007, that what is interesting about that is that it is not just about the degree of infraction of the rules, but actually who does it. For example, the Home Office gives the example of overstayers says “Well, yes, people overstay. Those who overstay and who come from a country with a high GDP do not create as much harm as those who overstay and come from countries with a low GDP”. This is interesting. It is who is breaking the rules that seems to matter politically.

Q224 Lord Paul: Could you just explain how that happens that students from countries with lower GDPs do more harm?

Dr Anderson: You would have to ask the Home Office. They state that illegality causes harm but there are degrees of harm from national security through to simply destroying the integrity of the system, causing problems for the integrity of the system. They locate illegality of different categories within this spectrum and then, in the example they give of overstayers, they say that the problem is which country those people come from, whether they come from a wealthy country. Of course, a lot of overstayers are from the States and from Australia and Canada. They would allegedly cause a low degree of harm unlike other types of overstayers who might claim asylum.

Q225 Lord Moonie: What effect does illegal status have on the earnings and employment conditions of migrants?

Dr Anderson: The first thing is that employers have to know that you are illegal and they might not necessarily know that you are illegal. Also, we cannot say that there is a straightforward correlation between illegal status and poor earnings. That is certainly the findings of research that we have done at COMPAS because we found that with A8 nationals, certainly before EU enlargement, there were people who were working illegally but not earning significantly less than those who were working legally, though I have to say this is a particular group. We find that there are many reports of A8 nationals who are now presumably all working legally and we hear reports of them working below the minimum wage. I suppose all we can say is that it is complicated.

Q226 Lord MacDonald of Tradeston: Dr Drinkwater, your written evidence suggests that recent migrants from the A8 countries take up more low-skilled jobs in the UK than other migrants. Why is this happening? Is there any general pattern of different migrant groups doing different types of jobs in the UK?

Dr Drinkwater: A lot of it has to do with what we were discussing earlier about the actual migration strategies and the nature of migration which has been taken up by these individuals. In particular, the short-term migration would imply that the individual may not be prepared to invest heavily in their human capital if they are only going to stay for a short period, in addition to the fact that they might be coming here not just purely for financial reasons but for lifestyle choice reasons as well. I have seen it compared to UK youngsters going to Australia, like backpacker tourism in some ways. It is a rite of passage for many since they gain an independence from their family. The other big thing is skills in the English language. A8 migrants may have more difficulties in English language than other migrants. For example, there is only limited information on this from the Labour-Force Survey, but from the questions that are available there, around about a third of recent A8 migrants had difficulties either obtaining or keeping a job because of language difficulties, compared with less than 20% of other migrants. Language has an important impact on the type of jobs that these individuals take, particularly forcing them into the low-wage sector.

Q227 Lord Skidelsky: What are the main determinants of the migrants’ performance in the labour market, in particular their earnings and employment rates? How do the earnings of migrants compare to British workers and does this change over time? Are there any particular policy measures the Government can take to help migrants integrate better into the UK labour market? Again, I am conscious of using the word “migrant” here in a vague way.

Dr Drinkwater: Again, language is an important issue here. A number of studies have found that in terms of the UK, those with poorer English language skills, and in other host countries, tend to earn lower wages, up to maybe 20% less than other migrants. As in most labour economic studies, another very important determinant is other forms of human capital, particularly in terms of education and experience. Given that most migrants tend to be relatively young, the experience issue may not be so important but their education is very important and even when migrants come with higher levels of education from
their home country, they might actually still have relatively low-wage jobs because those qualifications may not be recognised by employers at the same levels. Another important point to note is that we are talking about different types of migrants, and migrants from different countries of origin display a huge variation, particularly in terms of earnings of different migrant groups. For instance, a recent IPPR report which was publicised on the Despatches Channel 4 documentary showed that hourly earnings ranged from over £17 per hour for migrants from the US to £7 an hour for migrants from Poland and then in the middle of that was the UK born's average earnings of about £11 an hour. There is a huge degree of variation amongst the different migrant groups and that is linked in terms of their occupational attainment and also to the nature of migration, whether the migration is permanent or on a much more temporary basis.

Q228 Lord Skidelsky: I can see very much that wage patterns amongst migrants and particularly low-wage migrants are a problem maybe for native workers, but are any of these things problems for the migrants themselves. They come here for a variety of motives and they earn wages that we would consider very low, but that is perhaps not the most important thing for them, yet we are discussing their problems. I sometimes feel that there are not any problems for them or not that many.

Dr Drinkwater: In terms of the survey evidence that we have done, that is true, certainly at the start, in the sense that they are prepared in some ways to take low wages as they think that their actual status is somewhat higher because of the potential progression which they could encounter later on in their labour market careers if they stay for longer in the UK. For example, and we have been mainly looking at Polish migrants, they think there are barriers to further progression in Poland. At the start, they are also willing to trade off lower wages for having these lifestyle changes. But we are only starting to see this, given enlargement is still only a relatively recent phenomenon, and over time there may be greater disquiet if there is not as great a progression through the labour market as they might have wanted to see.

Dr Anderson: We also have to look at the costs of agencies in terms of the cost of the investment in coming to the UK. It is slightly different for A8 nationals, but people who are travelling a long way and have perhaps borrowed extensively and deeply thinking that they were going to be able to repay, not really knowing the cost of living in the UK and so on, that is a real problem. I just draw your attention to the recent report of the Low Pay Commission which found that six of employers say that they employ migrants as a wage depressing measure which I thought was quite interesting.

Q229 Lord Turner of Ecchinswell: What do you know or other people know about the impact of migrant workers? I am using that in the strict sense that you defined it as, which actually was an extremely useful reminder that we need to be precise there. What do we know about the impact of migrant workers on the enforcement of the minimum wage? You implied earlier that employers might prefer migrant workers because it makes retention easier, because people need to stay with that employer because their quasi-legal status may sometimes make it difficult to move. Is that also true otherwise that they sometimes have a collusive relationship with an employee where they are helping the employee exist in the grey areas of their work status but the flip side of it is the minimum wage is not entirely complied with? Is there any evidence of that sort of behaviour?

Dr Anderson: I would hesitate to use the word "collusion" because that suggests a certain equality whereas actually of course people can be very anxious about their status or, even if they are perfectly legal, that their visa will not be renewed if they put their head above the parapet. I thought it was interesting that 20 of the 15 employers who were investigated monthly by the Low Pay Commission and had registered with the workers’ registration scheme, 20 since 2004, have been found to be in breach of national minimum wage legislation, and in fact the Low Pay Commission found that the evidence of migrant worker exploitation was “compelling”. So there does seem to be some issue here. I also emphasise the importance of agency working. It is very difficult to tell. There is no doubt that migrant labour is very important for businesses and employment agencies. The workers’ registration scheme data suggests that, but it is not disaggregated so you cannot actually tell the proportion. However, that has an impact on deductions, on actually who the employer is, it has all sorts of enforcement issues and has also been recognised as a problem for health and safety. People talk about the ping-pong of who is responsible for health and safety when you have employment agencies working.

Q230 Chairman: Dr Drinkwater, you have apparently examined the impact of migration on the Welsh labour market. We had mention before of how the Welsh workers came to England and were migrant labour some time ago. This is immigration on the Welsh labour market. How does it differ from England or the rest of the UK?

Dr Drinkwater: The first thing is that the scale of it differs. If you look at the Workers Registration Scheme data, Wales has received the least number of migrants from the new accession countries and...
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13 November 2007  Dr Stephen Drinkwater and Dr Bridget Anderson

substantially less than other parts of the UK. To some extent, that has less impact on Wales in general, but there are pockets where there has been a large degree of immigration, for example in Llanelli, which has now been termed “Llaneski” because of the large number of Polish migrants there, and also in parts of North Wales such as Wrexham. So it does have an impact on certain areas. In terms of the total numbers, they are relatively low in Wales but there have been differences. Even though the characteristics of migrants tend to be similar, the sectors they have moved into are slightly different in that there are many in manufacturing and fewer in agriculture in Wales, despite it being a rural country, but the types of agriculture which go on there are not conducive in some ways to the migrants who are coming from the A8 countries. The other interesting thing, is that there has been a migration, particularly of young and skilled Welsh people, to England. What migration can do is replace some of what might be termed as a brain drain from Wales. That has not been analysed too much but it is an issue which could be seen as a positive benefit for Wales.

Q231 Lord Layard: May I ask about legality? Do you have any estimate of how many illegal migrants are working in Britain? Do you have any idea about how many of them are paying tax or not paying tax? What can one say about the differential impact of illegal immigration on the economy compared with legal immigration?

Dr Anderson: One thing to say, as I indicated in my earlier answer about semi-compliance, is that we have a real definitional issue here. The Government estimate more or less half a million people, but that estimate is based on illegal residents. If we, as your question suggests, look at illegal working, then we have to include semi-compliance and where that becomes a problem and where you draw the line is very vague, so actually giving numbers about that, rather than simply saying the conditions are such that it is likely to be significant, is very difficult. The other question, of course, is that people’s status does change over time; it is not static. Once you are legal, you can become illegal: once you are illegal, you can become legal. It is important too to recognise that just because you are illegally resident does not actually mean that you are breaking the law in other ways. You might well in fact be paying tax and national insurance if you are working on false documents, as many people are. Certainly in the research we did pre-EU enlargement we found that many of the people who were working, both in a semi-compliant and totally illegal way, were paying tax and national insurance. Certain types of workers such as workers under the seasonal agricultural workers scheme do not have to pay national insurance and that is part of the deal. It is a more complicated picture really.

Q232 Lord Paul: After hearing your views on the whole question of illegality, do you have any idea how many workers are illegal under your definition?

Dr Anderson: I really would not like to say.

Q233 Lord Paul: Do most illegal immigrants avoid paying tax? How does this illegality influence the economic impact?

Dr Anderson: Quite frankly, I do not know how I would say illegality affects economic impact because, as I indicated, I have such a problem with what we mean by illegality and whether we count the au pair moonlighting in a bar as an illegal worker. In research I have done, very often people who are illegal straightforwardly, working and residing illegally, are quite anxious to be as legal as possible because they do not want their immigration status to get found out. It is more complicated.

Q234 Lord Moonie: What differences have you found between intended and actual duration of stay in the UK?

Dr Drinkwater: We have both done some work on this and it relates back to what I was saying earlier about the type and nature of migration which has come in particular from A8 countries where it has been much more short term, circular, and seasonal migration. If you look at the statistics published by the Government in terms of the Workers Registration Scheme, they indicate that about 55 of people who initially register on the scheme say they intend to stay for less than three months and a further 25% say they do not know. It is very different from the types of migration we have observed in the past, particularly from new Commonwealth countries. Whether or not that is an accurate representation of what they do say is another matter and whether or not, in particular, they are saying it because they do not know what to expect when they come or because they fill in a government survey and they do not want to say they are going to stay for a long time. Work we have done in Surrey, and in COMPAS as well, seems to indicate a lower proportion would stay for that short period of time and a higher proportion stay for longer, perhaps permanently. A lot of it is to do with the fact that they have come here and they have maybe settled down and stayed longer than they initially intended.

Dr Anderson: It is also that people change their minds. They can change their minds both ways but methodologically research will pick up the people
who stay and they will not pick up the people who go. Although I am in broad agreement, we have to have some kind of caveat about the problems of research in this particular area.

Q235  Lord Macdonald of Tradeston: We have heard that many recent migrants are over-qualified for the jobs they are doing. Is there any impact of that skills mismatch and do you expect such migrants in low-skilled jobs to move on soon to jobs which better match their skills? Is there evidence of this?

Dr Drinkwater: Traditionally it has been found in research into the economic impact of migration that migrants may come to the country and start in an entry-level job simply because they have relatively low country-specific skills such as language and human capital from the host country and that then they actually progress quite rapidly through the labour market and stay a long time. Again, you need to bear in mind the type of migrant that you are talking about. They may not be in some ways either that interested in staying on for long periods of time, so they are may be relatively happy to accept low-paid jobs to start off with or the fact that they are trading that off against other factors such as lifestyle choices. Then there is a third category: those who actually do want to progress. If they are unable to progress, then they might see that as an issue and either migrate back to their country of origin or change jobs.

Q236  Lord Skidelsky: Do you have any comments on the Government’s recent written submission to this inquiry?

Dr Anderson: I was very struck by the fact that they used the term “work ethic” and “reliability” and all these words which are applied to migrants so easily without really unpacking some of what employers might really be alluding to by these terms. I would advocate some care with understanding the presentation of demand, precisely for the reasons I outlined earlier, that I think that while the Government are using the term “immigrant” to talk about “foreign born”, employers are really talking about relatively new arrivals, in fact quite often discuss how they get tainted after their experience of being in the UK. I was interested in the alternatives to immigration to reduce labour shortages, such as helping lone parents through access to employment. It seems to me from a lot of my research that the advantage of migrant labour is precisely this work/life balance, flexibility, easy to dispose, easy to hold on to. That is precisely what groups like lone parents cannot do. A simple substitution is going to be a lot more difficult than is made out.

Chairman: That is very interesting and very helpful to us. You made the point about the uncertainties but you did give us a lot of very useful information in between the uncertainties and it was important that you should talk about the uncertainties themselves. Thank you both very much indeed; we are very grateful to you.
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

TUESDAY 20 NOVEMBER 2007

Present: Best, L
Kingsdown, L
Lamont of Lerwick, L
Layard, L
Macdonald of Tradeston, L
Moonie, L
Paul, L
Sheldon, L
Skidelsky, L
Turner of Eccleshaw, L
Vallance of Tummel, L
Wakeham, L (Chairman)

Memorandum by the National Institute of Economic and Social Research¹

THE NUMBERS AND CHARACTERISTICS OF RECENT IMMIGRANTS (QUESTIONS 1, 2, 13)

Data on both the numbers and characteristics of recent immigrants are an important input to understanding the economic impacts of immigration, which we discuss below. In this context we discuss some of the statistics available. At present Total International Migration (TIM) statistics produced by the Office for National Statistics are compiled from the International Passenger Survey (IPS). According to these, immigration net of emigration rose sharply from less than 50,000 per annum on average during most of the 1990s to more than 150,000 per annum on average over the years 1998–2003. Following the enlargement of the EU in spring 2004, net immigration rose by a further 50,000 per annum on average in 2004 and 2005. In these years, net immigration from the Accession 8 (A8)² averaged more than 50,000 per annum.

The Workers Registration Scheme (WRS) provides more detailed and frequently quoted statistics on migrants from the A8. The WRS records gross, rather than net, immigration flows and show that in the three years following Accession there have been 656.4 thousand A8 citizens registering to work in the UK, more than half of which registered before 2006.³ These numbers exceed TIM estimates of gross migration from the A8 during 2004–05 by approximately 100,000 per annum, indicating the temporary nature of migration from the New Member States (NMS). The WRS counts individuals who intend to work in the UK for at least a month. The IPS figures, on which TIM estimates are based, count individuals who intend to stay in the UK for at least a year. We note that comparability between these figures is complicated by the fact that the WRS is likely to undercount the total number of migrants, since it only counts individuals who register to work as employees. Also, the reliability of the IPS data is often questioned due to the way in which this data is collected through voluntary survey participation at points of entry to and exit from the UK, and because it is based on intentions rather than realised outcomes.

In terms of gauging the economic impact of recent immigration it is useful to know how many migrants are resident in the UK at a particular time, and hence contributing to UK economic performance, although the flows are relevant for these purposes too. Neither the WRS nor the IPS provides this sort of information. Of course ‘stock’ numbers can be derived from these under certain assumptions. These are, however, not the only sources of information about migrants. The Labour Force Survey (LFS), which has a sample of about 60,000 respondents asks whether respondents were born in the United Kingdom or, if not, the year of their arrival. Although the LFS it is not without its problems, it does provide a head count of migrants resident in the UK.

Quite separate from the benefit of having available data on migrant stocks as well as flows, given the concerns about the reliability of the IPS, it is important to compare the data which emerge from the IPS with those produced by the LFS. We note that one means of enhancing the information available would be to devise a means of producing combined estimates of the numbers of recent immigrants using both sources. Such figures will result in revised intra-censal population estimates and may shed additional light on the accuracy of the IPS. An advantage of the LFS is that, since it looks at people resident in the country, it automatically covers the people who arrive not intending to stay (and who are therefore not counted as migrants) but then change

¹ The authors are Research Fellows at the National Institute of Economic and Social Research (NIESR). The views expressed here reflect those of the authors and do not necessarily reflect those of the NIESR.
² The eight Central and Eastern European countries that joined the EU on 1 May 2004 gaining new rights to live and work in the UK.
³ These are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
their minds; it equally excludes the people who do intend to stay but leave after less than a year (and should therefore not have been counted as migrants). The IPS figures are adjusted to allow for these but the benefit of an independent data source should not be overlooked.

Using the LFS data we can illustrate the number of A8 migrants resident in the UK at different points in time since the enlargement of the EU in 2004 (Table A). The figures do not provide information on most recent migrants since the sample frame covers only people who have been at addresses for at least six months. These data suggest there were 382,000 people, or 0.6% of the population, born in the A8 who had arrived in the UK since Accession to the EU. Reflecting the age distribution of A8 migrants, these individuals comprise a larger proportion, 0.9%, of the working age population. The steady increase in the recent A8 migrant stock is partly a result of the duration of residence criteria for participation in the LFS.

Updating the data summary in an earlier study by the National Institute of Economic and Social Research (Riley and Weale, 2006) we get a picture of the number of recent migrants resident in the UK and their labour market characteristics. We limit ourselves to the data for the most recent available quarter (2007 quarter 1) to obtain an up-to-date picture, despite the relatively small sample size which results. These data (Table B) suggest that 4.6% of the population, and 6% of the working age population, arrived in the UK in the last decade. In comparison to the situation only one year ago NMS migrants account for an increasing share of the recent migrant population. At the beginning of 2006, migrants from the A8 accounted for a quarter of post-Accession migrants (Riley and Weale, 2006). At the beginning of 2007, this number has risen to a third.

We also note two distinguishing features of migrants who arrived in the UK during the years 2004–06, the years following Accession, in comparison to those who arrived between 1998 and 2003, the previous period over which we saw an upward shift in net immigration to the UK. The more recent migrant group is significantly younger, much more likely to be employed in low skilled occupations and less likely to be employed in professional and managerial occupations (Table B). These differences are entirely attributable to differences in characteristics between recent NMS migrants and migrants from other areas. Recent NMS migrants of working age are more likely to be employed than both the indigenous population and migrants from elsewhere.

The Macroeconomic Impacts of Recent Immigration (Questions 4, 6, 7, 8, 12)

It is clear that the scale of recent immigration implied by the numbers discussed above should have been associated with an increase in GDP. Previous analysis undertaken by the National Institute of Economic and Social Research (Riley and Weale, 2006), using a simple accounting framework, suggests that immigration during 1998–2005 contributed to a rise in real GDP of around 3% Looking at the years 2004–05 alone, immigration contributed 1% of GDP. This does not take into account the further increases in GDP that would accrue if capital accumulated to match the rise in labour input. The National Institute of Economic and Social Research has further examined the potential macroeconomic impacts of recent immigration with the help of its macroeconomic models (Kirby and Riley, 2006; Riley and Weale, 2006; Barrell, Guilleminneau and Liadze, 2006; Barrell, FitzGerald and Riley, 2007). These studies provide a useful illustration of the types and magnitudes of effects from immigration that we might observe at the national level. Much of the debate around the economic impacts of recent immigration relies on analyses undertaken at the individual or sub-national level (eg Gilpin et al, 2006; Blanchflower et al, 2007). These and similar studies provide valuable evidence on the economic impacts of immigration, but the results obtained do not necessarily extend to the national level, and the results discussed here can be viewed as complementary to these.

Here we discuss some of the issues raised in previous work by the National Institute of Economic and Social research in the context of a simulation exercise using the Institute’s global econometric model NiGEM. This example serves to illustrate the macroeconomic impacts of recent A8 immigration to the UK. We model this immigration as an unanticipated shift in the population and the population of working age commensurate to the figures in Table A. This updates previous Institute work by taking into account further increases in the A8 migrant population that have occurred since the summer of 2006. The potential impacts on GDP, inflation, unemployment, productivity and GDP per capita are illustrated in Table C. Here we discuss key assumptions underlying these results and how alternative assumptions would affect these.

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4 The population weights used in deriving these have not been adjusted to the latest mid-year population estimates. Estimates of the total population also differ from the mid-year estimates as the sample for the LFS does not include communal residences.

5 For a description of the National Institute Global Econometric Model (NiGEM) see Al-Eyd et al. (2006).
The increase in the labour force from the immigration raises potential output, and in the longer term output rises to match this increase. In the short-term, productivity as measured by output per hour in the UK is likely to have grown more slowly than it otherwise would have, since the capital stock (including public sector infrastructure and the housing stock) takes longer to adjust to the increase in labour supply and in the short-term the level of capital employed per hour worked falls. If it is the case that migrants concentrate in sectors where the capital-to-labour ratio is low then productivity may return to base more quickly than this simulation suggests. Overall, GDP increases as the increase in labour supply results in increased employment. By 2015 the level of GDP is approximately 0.9% above baseline. Average output per capita is reduced in the short term, due to both the short term increase in the unemployment rate and the slow adjustment of the capital stock, but is higher in the longer term than it would have been in the absence of this increase in migration. The longer term effects reflect the age composition of migrants, which is skewed towards working age. Although not illustrated here this also results in small improvements in the public finances (Kirby and Riley, 2006). In this example we have assumed that A8 migrants and natives are equally productive. Taking into account the evidence that recent A8 migrants tend to be concentrated in low-skilled occupations the GDP effects would be smaller than shown here, as we illustrate in Barrell, FitzGerald and Riley (2007).

With the labour supply curve shifting down the labour demand curve, there is a short-run increase in unemployment until the economy adjusts and labour demand is able to meet the extra capacity. The increase in unemployment can occur, either through migrant labour searching for employment or the displacement of existing workers. Indeed there is some evidence from the LFS that suggests that the employment rate of people of working age from the A8 countries was initially much lower than is now the case (64% in 2005Q1 in comparison to 81% in 2007Q1). Our simulations show the ILO unemployment rate returning to its baseline rate by around 2012 and, at its peak, the unemployment rate is only 0.4 percentage points higher than baseline. We have assumed that migrants and natives are perfect substitutes in production. We have not assumed that the inflows of migrants are composed of workers who reduce mismatch in the labour market by meeting currently unfilled labour demand, relieving bottlenecks. If there were such effects occurring in the economy then the impact on unemployment in the short run would be less than the numbers suggested here, while the immediate impact on output would be greater due to this larger increase in the labour input. Conversely, if immigration is concentrated amongst the low-skilled and low-paid workers, where wages are likely to be less downwardly flexible, we may expect to see smaller disinflationary effects and larger upward pressure on unemployment, as illustrated in (Riley and Weale, 2006) using the model in Riley and Young (2007). In these simulations we make no allowance for additional remittance payments from migrant workers to their home country. These are likely to be large for A8 migrants (Fihel et al, 2006), partly because of the temporary nature of migration from these countries. Taking these into account we might expect to see larger reductions in inflationary pressure than indicated in Table A, as the rise in demand would be less strong.

This example highlights some of the differences between the macroeconomic impacts of unanticipated migration in the longer and the shorter term. In the shorter term the economy is affected by short run adjustment factors and the extent to which these matter is largely a consequence of the assumption that the change in migration is unanticipated, which seems a reasonable assumption to make in the case of recent A8 migration. This is also one of the key differences in determining the economic effects of migration versus general population change. In many ways we can think of the change in migration in the same way that we think about any other population change. However, there are likely to be important differences. In addition to whether or not these changes can be regarded as expected or unexpected, we have highlighted the importance of the age distribution of the change in the population, the role of remittances in macroeconomic adjustment, existing productivity differentials, and the degree of substitutability at the economy level between different types of labour, including migrants and natives.

The example here is useful in illustrating the potential macroeconomic impacts of a sudden change in the population, similar to that which has been observed following the enlargement of the EU in 2004. A separate question is the effectiveness of macroeconomic policy in a small open economy, such as the UK, where labour is increasingly mobile across national borders. In this context migration may both affect the parameters of wage bargaining and make economies more flexible, changing the short term trade-off between output and price effects in response to policy innovations.

**Future Trends For Immigration (Questions 1, 13, 14)**

An understanding of the behavioural factors determining migration is necessary if the reliability of long-term forecasts of population growth and output growth are to be assessed and judgements made about the policy instruments available to affect the evolution of migrant flows. Such an understanding is also essential for the
production of meaningful forecasts of the migration inflow. The National Institute of Economic and Social Research (Mitchell and Pain, 2003) has developed an econometric model of the economic and demographic determinants of annual migrant inflows into the UK. We found that the change in migration over the decade to 1998–2000 is primarily due to population growth in the source locations and the continuing pull effects from the rise in the migrant stock and per capita incomes in the UK relative to the source location. This finding is in contrast to the conclusions of Hatton (2005), which suggest that the upward shift in UK immigration towards the end of the 1990s is in large part attributable to changes in immigration policy. In this regard we note that rising immigration is not a feature peculiar to the UK. Several OECD countries have experienced rising immigration in the last decade.

It is probably fair to say that the sharp increase in immigration following the enlargement of the EU in Spring 2004 was attributable to a sudden and one-off change in policy—ie the relaxation of border restrictions for people from the NMS—the impact of which will have been amplified by the temporary restrictions on labour mobility put in place in most other EU countries (the exceptions being Ireland, which has probably seen the largest change in the population due to immigration from the NMS if this is measured relative to the local population, and Sweden). Because this policy change can be regarded as a one-off event, and because most EU countries have now relaxed their initial restrictions on migration from the NMS, allowing migrants to move freely across their borders, it seems likely that the change in the level of immigration in 2004 will have been a temporary one. However, there are a number of factors that may help to sustain a relatively high level of NMS immigration to the UK, in historical comparison. Income differentials between the old EU countries and the NMS, particularly Poland, Latvia, Lithuania, and Slovakia, are likely to persist in the near future. Specific to the UK (and Ireland), the establishment of new NMS communities in the wake of Accession will act as a “pull” factor for further NMS migrants in the years to come. Our empirical work suggests that this “friends and family” effect is one of the most significant determinants of migration into the UK (Mitchell and Pain, 2003). Finally, the strength of the UK labour market vis-à-vis many other old EU countries, if this persists, is likely to be a factor contributing to the popularity of the UK as a destination country for NMS migrants and migrants from outside the EU.

While it is possible to point to factors influencing future migration trends to the UK, it is clear from our modelling work that forecasts of immigration are associated with substantial uncertainty. With this in mind it is not a question of one forecast proving to be right and another forecast proving to be wrong. Point forecasts are best seen as the central points of ranges of uncertainty. It is therefore important to provide a description of the uncertainty associated with migration forecasts. Just as the public have learnt to understand that the Bank of England’s “fan” chart for inflation does not mean the Bank does not control inflation, similarly we should expect the public to understand “uncertainty bands” published around migration forecasts. Awareness of the uncertainty around the central estimate will enable better decisions to be made. The degree of uncertainty around central migration estimates should be estimated from a model of migration inflows.

Table A

<table>
<thead>
<tr>
<th>Year</th>
<th>All Thousands</th>
<th>% of population</th>
<th>Working age Thousands</th>
<th>% of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004q4</td>
<td>54.5</td>
<td>0.09</td>
<td>46.0</td>
<td>0.13</td>
</tr>
<tr>
<td>2005q1</td>
<td>57.5</td>
<td>0.10</td>
<td>50.5</td>
<td>0.14</td>
</tr>
<tr>
<td>2005q2</td>
<td>89.5</td>
<td>0.15</td>
<td>80.8</td>
<td>0.22</td>
</tr>
<tr>
<td>2005q3</td>
<td>122.1</td>
<td>0.21</td>
<td>112.5</td>
<td>0.31</td>
</tr>
<tr>
<td>2005q4</td>
<td>164.5</td>
<td>0.28</td>
<td>149.5</td>
<td>0.41</td>
</tr>
<tr>
<td>2006q1</td>
<td>199.5</td>
<td>0.34</td>
<td>175.1</td>
<td>0.48</td>
</tr>
<tr>
<td>2006q2</td>
<td>211.9</td>
<td>0.36</td>
<td>189.6</td>
<td>0.52</td>
</tr>
<tr>
<td>2006q3</td>
<td>263.0</td>
<td>0.45</td>
<td>241.7</td>
<td>0.66</td>
</tr>
<tr>
<td>2006q4</td>
<td>336.3</td>
<td>0.57</td>
<td>298.6</td>
<td>0.81</td>
</tr>
<tr>
<td>2007q1</td>
<td>382.3</td>
<td>0.63</td>
<td>338.6</td>
<td>0.90</td>
</tr>
</tbody>
</table>

### Table B

**THE STRUCTURE OF RECENT IMMIGRATION**

<table>
<thead>
<tr>
<th>Population structure</th>
<th>Of which came to the UK</th>
<th>2004–06 All</th>
<th>NMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>First quarter 2007</td>
<td>1998–2003 All</td>
<td>2004–06 All</td>
<td></td>
</tr>
<tr>
<td>Numbers (thousands)</td>
<td>58,988</td>
<td>1,454</td>
<td>1,234</td>
</tr>
<tr>
<td>Age 18–24</td>
<td>5,297</td>
<td>161</td>
<td>279</td>
</tr>
<tr>
<td>(% of total)</td>
<td>(9.0)</td>
<td>(11.1)</td>
<td>(22.6)</td>
</tr>
<tr>
<td>Age 25–34</td>
<td>7,480</td>
<td>560</td>
<td>469</td>
</tr>
<tr>
<td>(% of total)</td>
<td>(12.7)</td>
<td>(38.5)</td>
<td>(38.0)</td>
</tr>
<tr>
<td>Age 35–49</td>
<td>13,166</td>
<td>376</td>
<td>192</td>
</tr>
<tr>
<td>(% of total)</td>
<td>(22.3)</td>
<td>(25.9)</td>
<td>(15.5)</td>
</tr>
<tr>
<td>Working age</td>
<td>36,679</td>
<td>1,188</td>
<td>1,004</td>
</tr>
<tr>
<td>(% of total)</td>
<td>(62.2)</td>
<td>(81.7)</td>
<td>(81.4)</td>
</tr>
</tbody>
</table>

- Working age outside labour force and in full-time education: 1,863, 100, 117, –
- (% of working age population): (5.1), (8.4), (11.6)
- Working age employed: 27,124, 783, 648, 276
- (% of working age population): (74.0), (66.0), (64.6), (81.4)

In professional, managerial, and associate professional occupations: 11,620, 355, 209, 31
- (% of employed working age population): (42.8), (45.4), (32.3), (11.2)
In intermediate occupations: 10,467, 253, 182, 72
- (% of employed working age population): (38.6), (32.4), (28.0), (26.2)
Process, plant and machine operatives and elementary occupations: 5,037, 175, 257, 173
- (% of employed working age population): (18.6), (22.3), (39.7), (62.6)

*Source: Quarterly Labour Force Survey 2007Q1; Numbers weighted with population weights.
Notes: (-) LFS sample size too small to report.*

### Table C

**AN ILLUSTRATION OF THE POTENTIAL ECONOMIC IMPACTS OF RECENT A8 MIGRATION**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>0.15</td>
<td>0.29</td>
<td>0.42</td>
<td>0.50</td>
<td>0.59</td>
<td>0.67</td>
<td>0.73</td>
<td>0.78</td>
<td>0.82</td>
<td>0.86</td>
<td>0.88</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>0.13</td>
<td>0.00</td>
<td>-0.15</td>
<td>-0.25</td>
<td>-0.24</td>
<td>-0.19</td>
<td>-0.15</td>
<td>-0.10</td>
<td>-0.07</td>
<td>-0.04</td>
<td>-0.02</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>0.18</td>
<td>0.36</td>
<td>0.43</td>
<td>0.28</td>
<td>0.18</td>
<td>0.10</td>
<td>0.04</td>
<td>0.00</td>
<td>-0.03</td>
<td>-0.05</td>
<td>-0.06</td>
</tr>
<tr>
<td>(GDP per person)</td>
<td>0.03</td>
<td>-0.05</td>
<td>-0.16</td>
<td>-0.23</td>
<td>-0.25</td>
<td>-0.25</td>
<td>-0.23</td>
<td>-0.22</td>
<td>-0.20</td>
<td>-0.18</td>
<td>-0.16</td>
</tr>
<tr>
<td>(GDP per capita)</td>
<td>-0.03</td>
<td>-0.14</td>
<td>-0.21</td>
<td>-0.12</td>
<td>-0.03</td>
<td>0.05</td>
<td>0.11</td>
<td>0.17</td>
<td>0.21</td>
<td>0.24</td>
<td>0.27</td>
</tr>
</tbody>
</table>

*All numbers shown as per cent difference from baseline except for the inflation rate and the unemployment rate which are shown as percentage point difference from base.*

*30 September 2007*
Examining the Economic Impact of Immigration: Evidence

Examination of Witnesses

Witnesses: Ms Rebecca Riley, Mr Simon Kirby and Dr James Mitchell, National Institute of Economic and Social Research, examined.

Q237 Chairman: Good afternoon. You are very welcome. Do you want to go straight on to questioning or do you want to make any statements? Ms Riley: We would be happy to go to the questions.

Q238 Chairman: There has been much debate in recent weeks about the increase in the number of migrant workers in the United Kingdom in the last decade. What are the numbers of foreign-born persons and foreign nationals working in the UK? How many of both groups have arrived in the UK since 1997? Should an analysis of the economic impacts of immigration focus on the impacts of foreign-born persons or more narrowly on foreign nationals?

Mr Kirby: We have looked at this question. We have used the first quarter of 2007 of the labour force survey to produce these estimates and the figures we were coming out with were for foreign born in employment, total stock for 2007 Q1 is 3.2 million or the figure was 11.4% of total employment in the UK. Those that have arrived since 1997 for the foreign-born are approximately 1.4 million. If we turn to the question of foreign nationals, using that definition, the numbers are significantly different. The total stock of foreign nationals in employment in the UK for the same period was approximately 1.9 million. If we take the figures for those that have arrived since 1997, it is 1.3 million. We also had a look at the confidence intervals around these estimates. These confidence intervals are rather crude because we do not have access to the design effects of the survey, but our estimate suggests that a 95% confidence interval is plus or minus 100,000 migrant workers. It is also worth noting that these numbers are under-estimates anyway. We are aware that they are under-estimates. It is partly because the labour force survey does not cover everyone in the UK. It misses out communal residences, students in halls whose parents are not resident in the UK. The main problems are that it only covers people that have been resident in the UK for six months and also they are using a grossing factor that is based on projections produced in 2003. We know that these projections are below what the current mid-year population estimates are. We did a rather crude exercise and used the estimates of employment that the ONS are currently producing which differ from what we were able to produce from the raw numbers and applied that as our grossing factor to the proportions we were getting. That comes out with a figure for, for example, the foreign-born in employment that have arrived since 1997 of 1.5 million. It increases the number by a further 100,000. In terms of the economic impacts, from our perspective the important number is the net change in population, whether they have a British passport or not. It is simply the addition to the population from those that were abroad, either with a British passport or without. Obviously, if you delve into the details, it does matter where they are from if you have differences in age structure and skill mix relative to the domestic population.

Q239 Lord Layard: In your 2006 paper, you estimated that immigration from 1998 to 2005—seven years—boosted GDP by 3.1%, which has been quoted in many of the submissions we have had as an indication of economic benefit. Then you have to take into account also the impact on population. I hope we are right in thinking your estimate for the same period is 3.8% increase in the population as a result of immigration which, taken together with the 3.1% impact on output, means a fall in GDP per head. Is that correct?

Ms Riley: The numbers you are referring to are correct but it is important to be clear about what exactly that 3.1% on GDP is capturing. What it is capturing is the direct effect on GDP associated with that segment of the population. For example, it does not take into account the fact that there is also capital that has accumulated probably because there is this additional population. If, for example, we were to conduct that calculation for the population as a whole, basically ignoring the effect on GDP of capital, we would be saying that the contribution of the population to GDP is 68.5%, basically the wage bill share. That illustrates the differential between whether or not you take into account capital in calculating the GDP effect. For example, if we looked at the wage bill share of the migrant population, calculated at 3.8%, in that period that group of migrants accounts for about 4.5% of the wage bill share. If we assume that capital accrues proportionally to the wage bill share, which may be higher for migrants because they are relatively highly skilled and capital is complementary to skilled labour, so that is a reasonable assumption, then we would have an increase in GDP of 4.5%. That is significantly higher than the 3.8%. Part of that difference in the wage bill share is explained by the fact that migrants are a larger part of employment than of the population as a whole, so they account for 3.8% of the population but they account for 4.3% or 4.4% of employment. There are two factors contributing to that relatively large share of the wage bill: high skills and, secondly, that they account for a greater share of employment, mainly because they are younger. They are of working age rather than being children or above working age. The other point I wanted to make in this context is also that
GDP per head, on the calculations I have just presented you with, might be higher because of the migration, but it does not necessarily mean that consumption per head is going to be higher because the capital we are talking about that gives that increase in GDP per head has to be paid for. For example, it may be paid by capital from abroad, in which case national income will not rise as much as GDP; or it has to be paid by domestic savings so consumption per head will not rise as much as GDP per head. Those numbers are also relevant in thinking about the changes.

Q240 Lord Layard: The original number here, the 3.1%, assumes no response of capital?

Ms Riley: Yes.

Q241 Lord Layard: Do you have any estimate of how capital might have responded?

Ms Riley: We have some empirical evidence on how the capital stock might have changed given A8 migration. This migration is a larger segment of the population and it is over a longer period of time. We do not have estimates of how capital has changed. On the other hand, it would be reasonable to assume that, if migrants account for 4.3% of employment, some of the capital that has accumulated in the last six years or so is also being used by these migrants and that it is there because the population is there. The migrants are there, so it seems reasonable to assume that there is some capital accumulation because of that additional population group.

Q242 Lord Turner of Ecchinswell: I think I understand. I assumed originally that you had modelled the impact of immigration versus a counterfactual of no immigration, in which case I would have thought you would logically take into account whatever your model suggested was the capital response. If that is not so, if one worked on the assumption that this is an open economy where change in the supply of labour would have no necessary impact on our savings rate and we would simply bring in savings from the rest of the world through an international capital flow, it would not be 3.1% because to the extent that there was any capital it would all come from overseas. People have to have a return on their capital and therefore the GDP might be higher but at the GNP level 3.1% cent would still be the correct number.

Ms Riley: If it was completely the case that all the capital was financed from abroad, that probably would be the case. That is the reason for drawing attention to national income per head or consumption per head which probably has not risen as much as GDP per head.

Q243 Lord Skidelsky: I just wonder why anyone should be in the least bit interested in the impact of migration on GDP. Surely the important thing is its impact on GDP per head and one is only interested in its impact on GDP in so far as that is an input number into working out the latter; yet everyone always starts with its impact on GDP.

Ms Riley: I think that is probably right. We have two sets of estimates here that you are asking about. It is difficult to explain. One is a set of model-driven simulations where we do take into account these capital feedbacks etc. The other is more like a growth accounting exercise where you are saying how much of the population is migrant population and therefore how much are they contributing to our GDP. That is a different exercise than the model simulations. We have in our model simulations tried to look at the impact on GDP per capita of the increase in A8 migration. There we find different effects in the short and long run. In the long run we find an increase in GDP per capita which is driven by the fact that migrants tend to be of working age. Therefore, we have more people working for the same number of people above and below working age, and therefore GDP per head rises in the long term.

Q244 Lord Layard: In some ways one might say that the real issue is the impact on the incomes of the resident population, which is not necessarily well reflected by looking at anything on a per head basis. For example, if we come back to the capital argument, would I be right in saying that it makes a lot of difference whether there is an increase in capital, regardless of who it is owned by, in terms of its impact on the wages of the resident population? If the capital comes in, then the existing capital has to be spread over so many more workers and that sustains the incomes of the existing population whoever the capital is owned by.

Ms Riley: Yes. That is the type of effect we find in the short versus the long run. In the short run for example, if we have a migration change or a change in the population and the capital stock has not adjusted to that change, we might expect to see a dampening in wage growth in comparison to the case without that population change. In the longer term when capital accumulates, productivity and wages should reflect that accumulation and we would return to a situation where wages would go back to where they were without the migration change, so yes, that capital effect does affect the existing population, and migrants as well, as it accumulates, regardless of who owns it.

Q245 Lord Lamont of Lerwick: Do any of these calculations take into account lifetime costs?

1 Note by witness: This migration refers to migration from all countries outside the UK, 1998-2005.
Ms Riley: No, they do not. I am not sure I understand.

Q246 Lord Lamont of Lerwick: If you are taking the benefit that immigration brings to the economy, obviously in the early years when they are actively working that is a plus. I was asking: does this take into account consumption when they are no longer part of the labour force?
Ms Riley: No. We have a dynamic model from which to calculate these estimates but we are not looking at the effects in 20 years’ time and discounting them through to today. That is, of course, relevant particularly when you are thinking about the effects on public finances etc. The estimates we have calculated do not take these longer term factors into account. When we think about the public finances for instance, if migrants arrive during their working age and stay for the rest of their life, they will have a period where they are perhaps not contributing actively to the economy. They will still have made a net contribution because they have missed out their childhood during which typically individuals are recipients of public funds. We do not have estimates of the size of these effects.

Q247 Lord Best: Your recent modelling of the economic effects of migration from the A8 countries for the period 2005 to 2015 found a negative impact of immigration on productivity. The impact on GDP per head is slightly negative for the first few years before turning slightly positive. What explains those effects and how confident are you in the assumptions made in the model? How accurate do you think the results will prove to be against the actual economic impacts?
Ms Riley: I will try to explain what is driving those results. The reason there is a negative impact in these estimates on productivity is largely a short run phenomenon. It is because it takes a while for the capital stock to adjust. This is the point that we were making earlier, that wages and productivity in the longer term, as capital accrues, will rise because of that. In the short run, if you have an unanticipated migration shock or population shock of any kind, you might expect the capital these workers are meant to work with not to be in place. Therefore, that productivity is slightly lower. That does not mean that migrants in a particular job are less productive than other workers; it just means that the capital stock is lower relative to the number of workers are working with a lower capital stock per head.

Q248 Lord Best: Might they also acquire English as a better language than when they start speeding up the process, making them more productive?
Ms Riley: Those types of effects have not been taken into account in these calculations. They would mean that the short-run effect on productivity would probably lower than we have estimated here. You would see a time profile where you would increase productivity more quickly as migrants assimilate to the new country. That is not what is driving these results but clearly that would be important to take into account. The effects on GDP per head are negative in the short run and positive in the long run in these estimates. The reason for that is two fold. First of all, for the reason I have just explained, productivity is a bit weaker in the short run because of the capital stock. Secondly, we have this increase in the population which, if wages are not entirely flexible in the very short term, we would expect maybe to see some period of economic adjustment where you would have a small rise in unemployment. We have a change in the population and not everybody finds a job immediately. Therefore, they are not contributing to GDP immediately. For those two reasons, (the productivity effects and the unemployment effects) GDP per head is a bit lower in the short term. The unemployment effect goes away relatively quickly and people are working, so that starts to raise GDP per head. As the capital stock accumulates, productivity starts to rise and that also affects GDP per capita. There are these two effects that mean that in the longer term we have in any case not negative GDP per capita effects. The reason in these estimates we have a positive GDP per capita effect in the long run is driven by the fact that migrants are of working age, actively contributing to the economy as opposed to being children or above working age.

Q249 Lord Turner of Ecchinswell: How have you defined working age and with increases in longevity should we not make working age in itself an endogenous variable rather than a fixed assumption?
Mr Kirby: In this model we have taken the working age defined as it is now.

Q250 Lord Turner of Ecchinswell: Which is 20 to SPA?
Mr Kirby: Yes.2

Q251 Lord Turner of Ecchinswell: End of story. So you have the first five years of the rise in the women’s SPA but you stop in 2015?
Mr Kirby: That is right, yes.

Q252 Lord Moonie: Are you testing the model all the time in practice to see how reality conforms or is anybody else?

2 Note by witness: UK working age population is actually defined as 16 to State Pension Age is NIESR’s global econometric model NiGEM.
Mr Kirby: This model is tested by ourselves and our users. It is a model that is sold to the Bank of England and many financial industries. We do run tests. We look at the properties of the model compared to others that are similar to see if the results are as we would expect. We also look at it in terms of how it performs in forecast mode as well, so we do a number of different tests to see how it does perform.

Q253 Lord Macdonald of Tradeston: We are told that a lot of A8 migrants are currently doing low-paid jobs for which they are over qualified. How, in your view, can we expect the economic impacts to change if these A8 migrants do find higher-paid jobs better suited to their skills?

Ms Riley: You asked in a previous question how confident we were about whether our models reflect what is actually going on. Our results are sensitive to the assumptions we make. One of the key assumptions is the productivity of migrants versus the existing population. Given the occupational distribution of A8 migrants, which is quite different from migrants that we have seen in the last decade, relatively concentrated in low skill occupations, we might expect to see a slightly negative impact on productivity certainly in the short term. I should stress that does not mean that a migrant is less productive in a given job. An A8 migrant may in fact be more productive and much of the evidence suggests that is the case in a given job because maybe they are highly skilled or over qualified for the job they have taken. If you are looking at population averages, if you suddenly have a change in the occupational structure of employment, you would expect to see productivity changes. If we look at the wages of A8 migrants as an indicator of their productivity relative to the rest of the population, that would suggest that A8 migrants in employment are about 74% as productive as the average person in employment in the UK. That is based on just taking wages as an indicator of productivity. Those numbers are consistent with the research that we are aware of but have not conducted that tried to look at the returns to education for migrants versus other people. It is clear that there seems to be a penalty associated with being a migrant of the magnitude I have just described. We have conducted some estimates where we look at how the macro-economic impacts differ if we take into account that 25 percentage points difference in productivity levels. It translates quite straightforwardly into GDP. If we have an estimate of the GDP effect of 0.9%, say, then we take roughly a quarter of that off for difference in productivity. We can adjust the estimates to take into account those types of factors. I suppose what we would need to know to answer your question would be, if migrants then move into jobs commensurate to their skill levels, exactly what the migrant skill levels were. That is not something we have done research on. However, we could say if they were to assimilate to the average of the existing population, then we would expect to see the actual GDP effects observed at the moment to rise by about a third, say. There is a separate issue relating to A8 migrants. There is evidence about migrants generally that there is this short term wage or productivity penalty which disappears over time. It is not obvious that A8 migrants will go into more skilled occupations and therefore that this penalty will disappear. They may very well do but it is not obvious that they will do because the nature of this migration is very temporary. It seems that A8 migrants come, stay for a couple of years and then leave again. They would never achieve that assimilation process. They may never move into those higher skilled occupations. If they stay, of course you would expect them to.

Q254 Lord Kingsdown: Have the rates of profit and capital accumulation changed in response to immigration? What empirical evidence is there of that?

Dr Mitchell: We are not aware of any direct empirical evidence on the response of the rate of return to increased immigration. Economic theory suggests that the rate of return on capital should rise, with a lag, and the capital stock would rise as well. Certainly since the mid-1990s, we have seen the rate of return on capital rise in the United Kingdom, but we are not aware of any work that tries to identify the direct causes of that rise. As well as the migration into the UK, we have had the latest shock of China’s increased globalisation and interaction in the world economy. That is widely believed also to have put up rates of return. We are not able to offer any direct evidence on what effect migration has had but we are not aware of any other work that has looked at it either.3

Q255 Lord Lamont of Lerwick: The scale of immigration from eastern Europe was vastly underestimated. Do you think, if there had been a more accurate estimate or more planning, this could have made any difference to the economic impact of immigration in any way?

Dr Mitchell: Yes, we do. Rebecca I am sure in due course will talk about this. Basic economic theory again suggests and our simulations also suggest that if the migration had been better anticipated we would have expected some of the capital stock to have increased in advance of the migration inflow. As a result, productivity would have increased more quickly. We also have some more general views

relating to the issue of why the migration flows from the A8 were unanticipated. Certainly, if one looks back to the sole piece of evidence we have been able to see, which provided forecasts of the likely impact of the A8 accession in 2003, a forecast of 13,000 a year inflow, obviously we can now see that that was a considerable under-estimate. We notice from the year inflow, obviously we can now see that that was of the A8 accession in 2003, a forecast of 13,000 a forecast on impacts and so on depend on this and on that depends your distinction between short and long run impacts and your view that in the long run you get a certain type of equilibrium. Basically, they are equilibrium models that depend on these things. Has that any real connection with what goes on in the real world?

Ms Riley: First of all, our models do rely on rational expectations. However, they also are estimated models and include adjustment costs. We do have empirically determined adjustment to the long run equilibrium. The model is constructed from a set of estimated equations, where we take these short-term factors into account. We do also sometimes look at how impacts differ if we do not assume forward-looking behaviour. Typically what we find is that adjustment is more drawn out and more oscillatory as well.

Q259 Lord Skidelsky: You mean up and down?

Ms Riley: Yes. We get greater fluctuations in adjustment. We have not tested the sensitivity to the assumption of forward-looking behaviour in this particular exercise but that is what we have found when we have undertaken similar analysis.

Dr Mitchell: As in any modelling exercise, we are aware of the limitations of the model and we certainly are. Our model embodies state of the art theory and allows frictions to explain short run deviations from the long run. That is consistent with the modern paradigm. Of course, paradigms change as we all know, making it particularly important, as one can do in modelling exercises of our sort with estimated models, to quantify the uncertainty around estimates. A couple of times today we have tried to emphasise this. The migration data themselves are uncertain. The forecasts of migration flows are uncertain as are the likely macro-economic effects. When people adopt quite strident views based on point estimates, it is always useful to bear in mind, as any sensible person does, that there is a considerable range of uncertainty around those estimates. We always try to give users an explicit guide to how uncertain we are with our estimates, to reflect our ignorance.

Q260 Lord Turner of Ecchinswell: Could you comment on the extent to which either this macro-model that you have done or other research suggests anything in relation to the distributional effect of immigration, its impact on the wages of low paid people? As I read it, the model itself tends to assume those away because it sees immigrants and natives as perfect substitutes of the same skill level, so I guess
the question therefore is about other research that you have done. What is your belief in the best existing understanding of the distributional impact between, for instance, skilled and unskilled labour?

Mirel Riley: We have tried to look at the distributional impacts using a different type of model which explicitly allows for different labour demand for different skill groups and also different wage setting behaviour for different skill groups. Migration to the UK, as we have seen in the last decade, has probably not changed the skill distribution very much. Migrants have typically been relatively skilled or unskilled. They tend to fall on either side of the middle, but in thinking about A8 migration this is quite a distinct group of migrants in the sense that they are typically working in relatively low skilled, low paid occupations. What we have tried to do is to look at what happens in a model that tries to take into account these different wage setting behaviours, different labour demands for different skill groups. What happens if there is a migration shock that does not change the skill distribution of the population and one that does change the skill distribution in a way which is similar to what we have seen with the A8? What we find is that the wages of low skilled workers fall relative to high skilled workers in this type of exercise by about 0.1 or 0.2%, so a relatively small effect. One of the reasons that the wage effect is relatively small is because low skill wages tend to be relatively inflexible downwards compared to other skill groups. Therefore, there is also a small unemployment effect which is concentrated amongst the low skilled, about half a percentage point. What that type of exercise takes into account is the differences in wage-setting behaviour and labour demand of different skill groups. What it does not take into account, which you might also argue is relevant, is that migrants going into low skilled occupations may change the parameters of wage setting. They may increase competition in the labour market, such that wage rigidities observed in the data historically change. That kind of effect is not taken into account in these estimates.

Q261 Lord Moonie: The Government argues that recent immigration has no statistical effect on unemployment. Do the findings from your own research back that up and, in particular, has that had any effect on the employment of young people?

Mirel Riley: First of all, we could comment briefly on the study that you are referring to, which is a very useful study, particularly because it is only one of the very few that looks at the data trying to uncover these effects. It does not find any statistically significant effects on unemployment. We would not necessarily take that evidence to imply that there is no effect on unemployment. What the study does is it tries to look at migration in a particular area and the change in unemployment we have seen. It tries to relate those two things. It does not take into account the fact that you might have onward migration as a consequence of that migration. That may be one of the ways in which the local labour market adjusts. There is evidence to suggest that that happens. Therefore, it does not necessarily pick up all the effect on unemployment of migration. Any unemployment effects are likely to be small in A8 migration certainly. It is likely to be a relatively small change in the population. We should not expect to see huge unemployment effects. Looking at the particular group of workers amongst which you might expect to see an unemployment effect, you might detect something that you do not detect in the annual unemployment rate. In the evidence that we have constructed and discussed, we find a short-term effect on unemployment and that is based on model simulations, which is a different type of evidence, of course. We do note that there has been this rise in youth unemployment. If there is any unemployment effect of A8 migration, we would expect to see it amongst the low skilled, which are typically young, or the low paid, which are typically young. The expectation is consistent with what we have seen. That does not necessarily mean, though, that migration is what is driving observed changes in unemployment. We would not want to say that because there are other factors going on that could have contributed to those changes in unemployment. For example, the minimum wage has been increased relatively quickly over the same period of time that A8 migration has happened and that could contribute to the patterns we see in the labour market at the lower end of the skill distribution. We are not saying that this is the case. It is possible that the increasing labour supply that comes about through the welfare to work scheme is also concentrated in the lower end of the skill distribution. That could also contribute to the patterns we see in youth unemployment. We are not able to pin down what we see in unemployment to any particular explanation. What we are trying to say is that, because there are so many different things going on, we cannot really attribute that to one particular factor.

Chairman: We are running out of time so can we have short answers? If the answers you give are not adequate, would you be kind enough to send us in writing anything which you feel you cannot say?

Q262 Lord Paul: It has been suggested that immigration may reduce the skill level of the indigenous population because it reduces pressure on employers to offer training to indigenous workers. How important is this effect likely to be in practice and how much empirical evidence is available?
Ms Riley: In theory, that is an effect that is possible. We are not aware of any evidence to support that that is going on or that it is not going on.

Q263 Lord Vallance of Tummel: You skirted round this in your answer to question two but your 2006 paper argues that the most coherent means of assessing the fiscal implications of immigration is to consider the net budgetary cost of any individual over the whole time that he or she is in the country. Do you have any empirical estimates for the impact of recent migration on public finances in that regard?
Ms Riley: In an early study, we have some estimates of the impact on the public finances in the medium term of recent A8 migration. They show a small positive effect which arises through increased revenues from profits and lower interest payments on government debt. It is a relatively small effect. That type of calculation is not based on the dynamic approach that we were discussing earlier so we do not have any calculations of the lifetime contributions.

Chairman: I think Dr Mitchell mentioned this in one of his answers but I wondered whether there are any comments on the Government’s evidence that they gave to us. Are the Government’s conclusions about the economic impacts of immigration based, in your view, on a balanced assessment of the available evidence?
Dr Mitchell: I think we have concluded that overall we felt the Government position did offer a balanced assessment of what evidence is available. We did feel that that evidence was stressing the likely macro-economic effects of migration rather than the micro-economic effects. By that we mean the distributional effects. Obviously, when the migration inflow is not skill and age neutral, we would expect there to be some winners and losers from the recent migration inflows. For example, we might expect the return on capital to rise. That is great for owners of capital but not so good perhaps for the low skilled. Overall it is a fair assessment but we felt that further evidence and work would be welcome looking at these distributional effects, to try and work out who is winning and who is losing.

Q265 Lord Layard: What about the economic effect of remittances? Surely, in so far as there is a net, positive contribution, it must to some extent be offset by remittances?
Ms Riley: We have not looked at any remittance numbers. We do not have any. Remittances are likely to be relatively important for recent migrants and A8 migrants in particular because they are typically coming for a short period of time and going back again, so you would expect remittances to be relatively large compared to if they were permanent migrants, say. We have not done a quantitative analysis of what that implies for the macro-economic impacts but what we would expect is that demand would rise less quickly. We have had a change in the supply capacity of the economy. We are changing the number of people who are here who are able to work. What we then expect is that they also demand something and that demand helps the economy move towards its supply potential. You might see a slower adjustment from the demand side if that money is not being spent in the UK but being sent back to the migrant’s country of origin. It should also have a small negative effect on the balance of payments. The demand effect could also be somewhat offset by increased export demand. If we say that remittances slow the demand effect of people spending elsewhere, that could put some down pressure on the exchange rate and cause greater export demand, so that could offset some of the lower effects on consumption that you would see with remittances. That is just based on what we might expect and it is not based on any quantitative analysis.

Chairman: We are all very grateful to you. It is a very substantial amount of information you have given us in the course of the last hour or so and we are extremely grateful to you. We shall obviously want to read carefully what you said to us, both in your written submission and today, and if we have any more queries we will come back to you. If, when you look at the evidence, you feel there is anything you want to amplify any more, please do so. We are extremely grateful to all of you for coming along and giving us your evidence.
Memorandum by Professor David Coleman, Oxford University

SUMMARY

1. General conclusion

This note acknowledges that expanded immigration has brought short term benefits to some sections of the economy and society, notably to immigrants and to their employers. But it suggests that overall the effects of the new policy are counterproductive and damaging to the national interest, especially in the long term.

2. Effect of Immigration upon population, on overall GDP and on individual welfare

Immigration only expands overall GDP roughly to the extent that it expands the working-age population. But if the well-being of the members of our society is the primary aim of government, what matters is the effect upon GDP per head, roughly equivalent to the real income of individuals, and on other broader measures of individual welfare. The benefits of immigration to the average individual are trivial in relation to average incomes and may be slightly negative. But most arguments in favour of immigration have cited its effects on the expansion of overall GDP. That has, in the long run, some bearing upon the power of governments and the relative might of nations but has little relation to individual welfare.

3. The need to consider broader criteria

Conventional economic evaluations of the effects of immigration are framed within narrow criteria of output, tax and welfare transfers. They do not consider whether there may be other economic and partly economic externalities arising from immigration and from populations of recent immigrant origin. These could include statistically disproportionate costs in education, crime, security, health, race-relations and multicultural activities, remittances and asylum. That apart, the higher population size and density arising from immigration imposes congestion costs, diverts investment to new infrastructure and housing, impinges on space and amenity, and accelerates the output of waste and greenhouse gas emissions. Those might prove to have costs sufficient to tip the economic balance substantially against large-scale migration into the UK. This paper provides some estimates of a highly preliminary kind.

4. Looking beyond the conventional economy

Immigration is driving population growth and changing the ethnic balance of the country. Projections are provided showing the implications of current trends upon population and ethnic composition to mid-century. Social cohesion, national identity and solidarity and related issues do not usually come under the heading of economics but unless the future is one of perfect integration then they may well have to. The wider effects of immigration and the population increase that it generates are likely to be much more important than those conventionally measured by economics.

5. Background

A new official policy was adopted at the beginning of this century radically to expand immigration into the United Kingdom in order to promote economic growth and satisfy the demands of employers. The economic case rests upon four related but separate arguments: beneficial effects upon the annual rate of increase of overall GDP and fiscal balance, the satisfaction of employers' demands for labour and alleviation of labour shortages, and the corresponding damping of inflationary wage claims. In support of this policy has been repeatedly claimed that migration is and always was absolutely essential to the UK economy, which would collapse without it. More general advantages are also cited; for example the enhancement of the supposed cultural benefits of "diversity" and the moderation of future problems of pensions and old-age care arising from population ageing. This note questions these supposed benefits and draws attention to some aspects of current large-scale immigration which have not yet been put into the balance.

6. Effects on GDP

Other submissions, for example from Professor Rowthorn and other sources, will already have shown, on the basis of the Government's own figures, that these inflated claims cannot stand. There is little that I can add to those analyses of the central economic issues. In general, the macroeconomic benefits are simply what would have been expected from an expansion of the size of population and workforce and even then are not
impressive in relation to overall GDP. The effects on the economic well-being of the average citizen are trivial (Dustmann et al 2007) and might even be slightly negative, being so small either way that quite detailed differences in assumptions can swing the balance in either direction, as an earlier paper has shown (Coleman and Rowthorn 2004). Immigration and its effects, its winners and losers, are highly heterogeneous. Employers of labour, especially low-productivity employers seeking cheap labour, and their immigrant employees are the most obvious beneficiaries. Others may lose.

7. A few additional points might be made, however. Many of the arguments have concentrated on macroeconomic indicators, as might be expected from the Treasury and the Bank of England, rather than indicators of individual welfare. But the macroeconomic indicators (GDP, inflation) only show the most modest, or no, response to the very substantial increase migration inflows of the last decade. There has been little change in overall GDP trends in the years since immigration has accelerated, compared with the previous period when a more restrictive (although still relatively open) policy prevailed. (Figure 1). Overall GDP has grown in a more or less linear fashion since the UK escaped from the Exchange Control Mechanism in September 1992. Indeed the trend follows approximately the same slope as that observed in the early 1970s and most of the 1980s when net immigration was, of course, negative and population growth much more modest than today. It could be argued that the economy would have failed without the accelerated immigration after 1997. Strictly speaking only a counterfactual scenario of a UK economy with only the modest net immigration of the early 1990s could provide a proper evaluation of the effects of migration. None has been attempted. But it seems ludicrous to suggest that without the recent rise in migration then the economy would be in parlous state or that “immigration is essential for UK prosperity”. GDP, incomes and all the rest were prospering well in the middle 1990s before the post 1997 acceleration of immigration and the incoming government endorsed the economic policies of the outgoing one.

8. The slope of GDP growth in Figure 1 is approximately 2.5% per year. The Treasury insists, on the most elementary (and partly wrong) assumptions about workforce participation, that migration has elevated trend growth of GDP by 0.25% from the underlying 2.5% to 2.75% (HM Treasury 2006, 2007). Record migration, however, has not stopped the forecast being revised downwards to 2% in the October 2007 pre-budget report, and to less than 2% according to most City sources. Sometimes the published Treasury justifications of the economic benefits of migration give a slight impression of having come off the back of an envelope or, in the case of those from the Bank of England, off the cuff (eg King 2005).

9. The expected inflow from Eastern Europe was initially cried down as trivial. The government endorsed an amusing Home Office report which suggested that the net annual inflow would be between 5,000–13,000 (Dustmann et al 2003; Stone 2003). Thanks to the inadequacies of immigration statistics we do not know what it is—the ONS estimate is clearly absurdly low in relation to the cumulative gross inflow of well over half a million registrations since 2004 (the biggest inflow in Britain’s history) and the LFS estimate of stock of over 450,000 in 2006. Even that the startlingly higher immigration of recent years has not provoked the economic acceleration that would have been expected from it if recent claims were to be taken at face value.
Figure 1

UK GDP AT CONSTANT PRICES 1970–2006

UK Gross Domestic Product at constant prices (£ billions). Source: OECD.
10. In any case, the annual rate of overall GDP growth is an unsatisfactory and inappropriate criterion. Overall GDP and its growth are not in themselves rational aims of public policy. In the Western world, overall GDP is strongly related to population size and its growth is in part a function of population growth. UK GDP is several times that of Switzerland, but our standard of living is lower. What matters is the level, and the growth rate, of GDP per head, a measure which removes the factor of population. It approximates to income per head and thus is a measure of the level, and increase, of material prosperity of the average resident. In the Western developed world, the standard of living bears no relation to population size or population growth. In fact in the data in Figure 2 below there is a small negative correlation between the two, although it completely lacks statistical significance.

Figure 2

RELATIONSHIP OF PER CAPITA GDP TO OVERALL GDP

Source: Penn World Tables.
As will have been noted in other submissions, when population is taken into consideration the benefit to the average individual is trivial, well within the margins of error and whether positive or negative at the mercy of specific assumptions.
11. The Trend in Per Capita GDP

Not surprisingly, therefore, growth in GDP per head (Figure 3) inevitably highly variable, seems, on simple inspection, untouched by the immigrant influx except perhaps somewhat downwards in the last few years. It has fluctuated around an average of 2.1% over the last 50 years—somewhat less than overall GDP as it omits the factor of population growth. The pre-budget report for 2007 expects this fall to continue; workers’ pay rises are now at the lowest level for five years. These overall GDP and per capita GDP trends are very blunt instruments for evaluating claims for the “essential” economic contribution of immigration. But at the least they indicate that no effect is discernible at this scale except possibly downwards and that the effects of migration must be very small compared with those of conventional economic factors. That is exactly what would have been expected from previous knowledge. They may take a different view, of course, down at the Market Deeping Potato Picking Company. But what is good for them may not be good for the United Kingdom.

Figure 3

TREND OF GDP PER HEAD CVM, SA
PERCENT CHANGE ON PREVIOUS YEAR
Trend of gdp per head (average) Chained volume measure market prices, seasonally adjusted.

12. The Contribution of Immigration to Population Growth

Immigration has, however, an undoubted effect upon population size and growth. It has propelled the recent increase of the growth rate of the UK population—now about 0.6% per year. Since the beginning of the century, net immigration has accounted for about 65% of UK population growth. The increase in the UK birth rate (TFR) from 2005 to 2006—from 1.79 to 1.85—has taken that down to 55%. However, just over half the birth rate increase is due to an increase of births to immigrant mothers, who now account for 24% of all births in England and Wales, so the direct and indirect contribution of immigration to population growth is somewhat higher According to the 2004-based Principal Projection of Government Actuary’s Department (GAD), 85% of population growth to mid-century is projected to arise from the direct and indirect effects of immigration, that is to the arrival of immigrants themselves and their children. In common with all recent GAD projections, this employs assumptions about long-term net immigration levels (145,000 per year) that are substantially lower than the actual level as recorded and published by the Office for National Statistics (ONS). On the GAD 2004-based assumptions, UK population will increase by 9.3 million by midcentury. Figure 4 compares a cohort-component
projection using the new assumptions on fertility and migration (but not, because of shortage of time, the assumptions about improved survival) compared with the GAD 2004-based projection. Incorporation of the improved survival would increase the projected totals further. Without any migration (that is, a “natural change” projection, not a “zero net migration” one), on the same higher fertility assumption the UK population would increase to 62 million by 2026 and then return to its present level of just over 60 million by 2051. Comparing the basic projection to the natural change projection, 74% of the projected increase to 2026 would be due to the direct and indirect effects of international migration.

14. An Accidental 15 Million

As far as public pronouncements are concerned, HM Government shows no interest in the new population growth which its migration policies have provoked. Indeed it seems to be unaware of it. When quizzed on the matter, Home Office officials have simply stated that population growth is not the concern of their department (even though its policies lie behind it). But the impact of an additional 15 million people would obviously be considerable: economic, environmental, social and ethnic. Even if a formal population policy is inappropriate or undesirable, then at least there should be a requirement for policies to consider their impact on population. In fact the obligation to provide environmental impact assessments of policies already logically makes it a requirement. As it stands, the absent-minded commitment into which we have drifted, to house a further 15 million people—one million every five years—must be the biggest unintended consequence of government policy of almost any century. As it is by no means unavoidable, being almost entirely dependent upon continued immigration, it might be thought worthy of discussion. In official circles, there has been none.

Figure 4

UK population 2006-2056 projected according to the GAD 2004- based Principal Projection, and with TFR = 1.84 and net immigration = 190k, as in the GAD 2006 based projection (but with 2004- based mortality assumptions) (thousands)

15. There are no merits in the promotion of population growth itself and many reasons to regret it especially in a country as crowded as the United Kingdom. The characteristic settlement patterns of immigrants magnify this effect as the majority have settled in the South East, already the most densely-populated area of the country. Neither increased population growth nor increased overall GDP growth should be policy goals. China has recently overtaken the UK in terms of overall GDP and India will follow in due course. Both have populations over 1 billion, with over 300 million in China and 400 million in India still living in abject poverty (mostly in the rural areas but also in the urban slums) with what appear to be widening income gaps and increasing problems of malnutrition. Neither is there any prospect of “catching up” countries with larger overall GDPs by encouraging population growth, or avoiding being overtaken by others with much larger populations than ours, as Brazil may soon do. Larger GDP obviously allow governments to spend more on
(for example) defence, and to assume a larger share of world and regional governance. To that, the UK, and other Western countries, will have to adjust as ingeniously as it can. When population growth eventually ceases, as it probably will towards the end of this century, the world demographic rank-order will be very different from what it is now. So will the rank order of overall GDP. That is inevitable. It is also certain that population growth must cease, in all countries. That will eventually close off easy options for growth through the expansion of customers, investors and workers and concentrate attention on productivity and the efficient use of constant, or even declining, sources of labour.

16. Ethnic Change

Official UK population projections to mid-century, unlike those of some other countries, do not include an ethnic or national-origin breakdown of the projected population. But the effects upon the ethnic composition of the continuation of immigration and emigration trends even at the level of 2001 would be substantial (at 2006 levels they would be greater). A conventional cohort-component projection is given in Figure 5, combining the results of the separate projection of 12 ethnic groups. It takes as its starting point the ethnic composition for the UK in 2001, fertility patterns of ethnic groups as at 2001, assumed to be diminishing over time, and mortality change in all groups as projected nationally by the GAD in the 2004-based projections. The ethnic composition of migration had to be estimated from information on net inflows and current population according to birthplace, country of origin and nationality and for the most part is similar to that assumed in the short-range ethnic updates for England published by ONS (Large 2006). The projections were presented to the British Society for Population Studies Annual Conference in 2007. The broad ethnic groups in Figure 5 are the amalgamation of 12 conventional ethnic groups that were projected separately.

17. In summary, on those assumptions, the British, Scottish and Irish population of the UK would decline to 44 million (63%) by 2051, the white non-British would increase to six million (8%) and the non-white population to 20 million (29%). The projected overall total would be 70 million, just half a million more that the GAD 2004-based projection of 69 million and substantially higher than the GAD 2001-based projection of 64 million. The projection is most sensitive to the level of migration, which is the most difficult component to project and can change greatly over time. Here, the simple assumption adopted by the GAD has been followed, of a continuation of the then current levels. Without migration in or out, those totals would be 47 million, two million and seven million respectively. These projections do not include the post-2004 inflow from Eastern Europe. The terms of reference of the committee to not embrace ethnic change, but these revisions of ethnic distribution would be unlikely to be without economic as well as social and political consequences, although the latter would probably be much more significant than the former. Some aspects of diversity cost money, and on current trends there is going to be more of it.
the economic impact of immigration: evidence

Figure 5

PROJECTION OF ETHNIC COMPOSITION OF THE UK POPULATION 2001–51, BROAD ETHNIC CATEGORIES

Percent of UK population in three major ethnic categories, 2001 - 2051

18. Macroeconomic Targets Versus Individual Welfare and Long-Term Strategy

Policy that justifies continued expansion of the labour supply puts macroeconomic targets in front of the welfare of individuals, especially the interests of the lower paid and those without employment with weak incentives and weak bargaining power. Importing labour to “contain inflationary pressures” is just macroeconomic language for importing labour to “keep down the wages of workers” thus making their incomes and welfare less than otherwise it might be. Keeping labour abundant so that its wages and therefore its standard of living and its bargaining power are low is naturally in the interests of employers and the owners of capital in search of the path of least resistance. Not surprisingly the responses of employers analysed by the Institute of Directors (2007), the British Chambers of Commerce (2007) and by Home Office research (Dench et al 2006) mirror some of those views. They also emphasise, however, the positive aspects of immigrant labour in terms of work ethic and other qualitative advantages especially in lower-skilled work. On the other hand, migration is seen by some of those employers only as a short-term solution to a long-term problem, and social problems could be storing up if chronic domestic skills shortages are not addressed.

19. Lower wages than otherwise and unemployment among the lower paid and less skilled are predictable results. Profits at British companies are growing at their fastest pace in nearly 13 years while wages of ordinary workers are rising at their slowest pace since 2002. John Philpott, Chief Economist at the Chartered Institute of Personnel and Development, has remarked: “High levels of immigration were a significant reason for subdued wage growth. Clearly immigration has been good for UK plc but it is clear from these numbers that businesses rather than workers are benefiting.” (Guardian, 16 August 2007). Whole economy unit wage costs in the second quarter of 2007 were only 1.2% higher than the same quarter a year earlier, down from an increase of 2.4% in the previous quarter. This is due to a decrease in the growth rate of average wages and salaries (ONS 2007, 27 September 2007) accompanied by a very small decline in productivity.

20. As the OECD has commented (2007), in the UK economy “employment rates among the least skilled remain too low. A key challenge is to raise education performance without significant further increases in expenditure, while a related key challenge is to ensure strong incentives for the least skilled to participate in the labour market and to progress in work”. Easy access to migrant labour for employers removes one of the
spurs to such reform. In the UK there are about 1.2 million young people not in employment, education or training (NEET). At all working ages, 7.95 million people were not in employment in July 2007. Among them are a serious over-representation of existing immigrants and their children. Some of those out of work will and cannot ever be in employment and many others are either discouraged or show little incentive or aptitude for it. The task of mobilising some of them is not easy and one can understand why initially keen and disciplined overseas workers are preferred. Eventually, however, keen immigrant labour assimilates to the welfare and work ethic of the local population, a trend already noted among Polish labourers (Sunday Times, 15 September). Here is no point pretending, however, that improvement can entirely be achieved through wage or other inducements. Welfare, the other side of the equation, also needs to be reformed, perhaps on the lines successfully adopted by President Clinton including the last, crucial step—that is making unemployment benefit strictly time-limited.

21. Discussions about the need of the market for labour seem to place little faith in the ability of market forces to adapt to any shortage of labour. It is assumed that the system cannot adapting to a tighter labour market, and that increasing labour supply is the only solution. In many cases that must be true. But in the longer run the appropriate response to “shortages” of labour in a modern economy is to increase the wage to a market clearing level and make appropriate improvements in efficiency and productivity by new investments and new techniques. That is how modern knowledge-based economies must grow and compete. When formerly abundant low-skill labour dries up, as in the California vineyards in the 1980s, an adaptive economy out-sources or mechanises (Martin 2003)—thus moving up the technological evolutionary ladder. The strategic goal has often been proclaimed to be a high-wage, high-output, high skill knowledge-based economy, with fewer extremes of poverty and income. The East European influx in particular inhibits that aim. The numbers of the low paid must have been substantially augmented by the inflow from Eastern Europe. Of those who have registered since 2004, over 80% earn less than £5.99 per hour, that is about £12,000 per year.

22. It is not possible to live an independent life on such an income. In due course more of the new entrants will be entitled to welfare benefits and will need them unless there is massive upwards social mobility. In a welfare society there is no such thing as cheap labour, immigrant or otherwise. If employers do not pay enough for independent living then the welfare system—the taxpayer—will have to do so. Cheaper services for consumers are often adduced as a benefit of abundant low-wage labour. That is deluded. In a welfare economy the consumer will eventually pay, although less noticeably, through the more diffuse effect of higher taxes. Meanwhile the employer is subsidised.

23. It is surprising to find that a government and its institutions should give such primacy to the demands of employers and businessmen on labour supply, when it would not do so in respect of, say, employment law, consumer standards, environmental protection and so forth. Instead, to misquote the late Reg Prentice, the principle seems to have been “Find out what the employers want and give it to them”.

24. Uncosted Externalities of Immigration

A number of important components are excluded from the fiscal and other calculations that attempt to evaluate the economic costs and benefits of immigration. Such calculations, for example of the kind presented by Gott et al (2002, p 29) and Sriskandarajah et al (2005), compare the tax paid by immigrant (not the whole ethnic minority) populations with the welfare benefits and rebates that they receive. Those calculations employ relatively orthodox statistics reasonably available from public sources, in conjunction with demographic data on the size and age-structure of the populations concerned. Other costs and potential benefits, outside the tax and welfare accounts for which data are not so readily available, are not included or are explicitly excluded. For example the earlier paper explicitly assumed that costs per head of primary and secondary education, and share of expenditure on health services provision were equal, within each age-group, across all categories in the UK population as a whole. This is understandable given the difficulties of doing otherwise. The authors go on to acknowledge, however, that rates of utilisation may be different for public education and health and that providers might incur different costs for migrants. No mention is made of crime, security or the costs of the immigration, integration or the race-relations and equality processes. In fact some data are available in some of these areas, although to an excessive degree they refer to “ethnic minority” not “immigrant” populations like so many UK sources. It would be preferable to be able separate the non-UK born (ie immigrant) component, although as with the demographic effects of migration, it is logical to include in the costs and benefits of migration the effects of immigrants themselves and those of their descendants. The benefits enjoyed by illegal immigrants and overstayers, and their tax contributions do not form any explicit part of these calculations. Illegal immigrants were estimated to number 430,000 as of April 2001 (Woodbridge 2005).
25. Some indication of cost can be determined for some of these potential externalities, although usually only in a partial or indirect way. In respect of others the appropriate data are not collected at all and it is difficult to infer them indirectly. Some are discussed below and listed in Table 2. They comprise an unsystematic collection of topics for which at least an outline indication can be made on the basis of a brief enquiry made for the purpose of this note. Most refer to ethnic minority populations rather than to their component born abroad. Attention has been focused upon costs not benefits. There has been no time to attempt to redress that imbalance. An attempt to do so must be made in the interests of equity but it cannot be done here. To this author, it is difficult to think of positive externalities that have not already been included in the wide range of economic benefits presented in the case for expanded immigration. There must be some; one would surely include the benefit of a variety of languages and cultural knowledge in UK enterprises oriented to the export of goods and services to countries that send immigrants to the UK.

26. For many of the items discussed below it is questionable how much of the cost should be attributed to immigrants or to their descendants, and how much to the indigenous population. Immigration controls are necessary, for example, because there is pressure to migrate but they also protect the population and facilitate the economic and other benefits of migration. It could be argued that much of the race relations and equal opportunities apparatus is made necessary, and its expense therefore caused, by the discrimination imposed on the non-native population. Furthermore, that the expense of equal opportunities programmes serves to make the best use of talent otherwise marginalised and therefore benefits everyone. The categories below have all been included, however, because all are contingent upon current and past migration, without which they would not exist. The main purpose of presenting this sample is to show that there are likely to be some uncounted costs which may, on more thorough analysis, turn out to be substantial and to show that much more detailed and consistent enquiry is needed and is justified. Table 2 below includes no total; it would not be appropriate. Estimates are highly preliminary. Some of the categories listed may overlap and they vary greatly in the degree to which it may be valid to include them.

27. **Medical Costs**

Medical costs are a particular bone of contention. A number of surveys chart ethnic minority health and estimates have been made of the comparative mortality of infant and adult immigrants and adult members of the ethnic minority populations (eg Griffiths and Brock 2004, ONS 2005). In general these show that the health and mortality experience of immigrant or immigrant-origin populations are very diverse, although put together they do not differ greatly from that of the native population. Some (eg the Chinese) appear to enjoy lower mortality than the native population, a finding noted among non-European immigrants in other countries as well. Bangladeshis, and Africans, and women in general do worse than average. Information is not collected by the NHS on the country of origin of those who use its services. So it is not known how any immigrant or ethnic differentials translate into NHS costs, whether heavier or lighter than average. Entitlement to treatment is in theory meant to be established. It has been estimated on a sample of 106 hospitals that NHS hospitals gave £50 million worth of treatment to ineligible payments in 2005, of which £20 million would be unpaid (Daily Telegraph, 2 October 2006). It is not known if the patients were non-EU immigrants or short-term “health tourists”, especially for childbirth, in which case they would not strictly speaking be “immigrants” at all whatever the damaging effect on the NHS.

28. Some specific ailments are more prevalent among immigrant and some ethnic minority populations, for example tuberculosis. The increase of new cases of TB, up 11% from 2004 to 8,113 in 2005, was all accounted for by cases from abroad. The prevalence among the UK-born population remains stable. Sexually transmitted disease, notably HIV/AIDS is much more prevalent among immigrant and minority populations, especially African and Caribbean. In 2005 63% of new HIV diagnoses (3,691) were from ethnic minority males, of whom 3,064 (four fifths) were African and 306 Caribbean (Health Protection Agency 2006). 63,500 persons were known to be infected with AIDS/HIV in 2005. 22,014 from the ethnic minority populations sought treatment, 70% of all requests. That is a seven-fold increase since 1996 (2815). The prevalence of HIV infection among African males was 3.6%, and 0.3% among Caribbean males, 46 times and 3.7 times respectively the rate of English heterosexuals. It was estimated that 64% of adult heterosexuals with HIV had been born in Africa (14,000 women and 7,500 men) with perhaps another 54,000 unaware of their infection. In 2000–03 it was estimated that the cost of managing a patient with HIV was £15,000 per patient per annum (Commons Select Committee on Health 2003, para 146). On that basis, given the figures above, the annual cost attributable to the immigrant-origin victims would be £330 million, assuming that all those who sought treatment received it. Early diagnosis of HIV, and best of all prevention, would remove a scourge from the population and enable large sums to be diverted to other health priorities.
29. **Education and English Language**

Additional funds have been directed towards schools with a large number of ethnic minority origin (initially New Commonwealth) pupils since the provision of “Section 11 grant” by the Home Office in 1966. Elements of Section 11 grant devoted to helping (mostly) adult immigrants to learn English are now managed by the Learning and Skills Council under the English for Speakers of Other Languages scheme at a cost of £280 million per year (for 580,000 students). For schools, the Department for Children, Schools and Families is responsible for Ethnic Minority Achievement grant of £169 million year. More broadly, the cost of providing translation for all services to migrant and ethnic populations was reported to be £100 million annually in a speech by Ruth Kelly MP (Times, 11 June 2007).

30. **Race Relations and Related Equal Opportunities Activities**

The Commission for Racial Equality itself, now absorbed within the Equal Opportunities Commission, had a budget of £32.4 million in 2005 according to its annual Report (CRE 2006). Equal opportunities activity in relation to race and now religion is now pervasive throughout the public sector, in education and increasingly in the private sector, following the wide-ranging requirements of the 2000 Race Relations (Amendment) Act. The cost of time and other resources relating to ethnic monitoring and the enforcement of targets, and associated litigation, is not known but in view of its scale is likely to be high. The intention of the 2000 Act to embed race-related and other equal opportunities activities as a mainstream component of the business of all public bodies makes apportionment of costs difficult. But if a medium-sized town of 150,000 inhabitants employs four personnel to cover all aspects of equal opportunities, of whom 1.5 FTE is devoted to race and diversity matters, then the total annual UK cost would be about £32 million and another £7 million for higher education, assuming one FTE per institution. That estimate assumes an average salary cost of £33,000 to the employer per employee. Similar estimates could be made for hospitals and hospital trusts, police forces and other public bodies. There is also local authority expenditure on capital projects for facilities and regeneration wholly or partly for ethnic minority populations, for immigrants or for asylum seekers, and grants to local support groups of various kinds. In the past some elements of this could be identified through specific components of the Urban Programme. But the “mainstreaming” policy makes their identification more difficult.

31. **Security, Immigration and Asylum**

All counter-terrorism activity is directed against Islamic groups and individuals of predominantly ethnic minority, immigrant or asylum seeker origin. Of the MI5 budget of £200 million 87% or £174 million is devoted to counterterrorism (Times, 9 August 2006). There must also be considerable costs from the same cause for the enhanced police presence and other security staff at airports and elsewhere, the costs of screening passengers and those entering public buildings. Those are unknown (to the author) but not unknowable.

32. According to the 2007–08 Business Plan of the recently—established Borders and Immigration Agency (BIA), “border control” and “migration” account for £350 million of the £1382 million projected budget, part of which is paid by visa fees. It is not clear how much of this should be attributed to immigration and immigrants. As Sriskandarajah et al (2005) reasonably point out, the immigration control system and the scrutiny of asylum claims are undertaken for the benefit of the domestic population, to protect them against unwanted inflows according to policies democratically arrived at, and to facilitate to entry of immigrants whose presence may benefit the country, and of returning UK citizens. They are, however, necessitated by pressure to migrate to the UK and before 1905 scarcely existed. A rational calculation might be to attribute the increase in the costs (adjusted for inflation) of immigration control incurred since the early 1990s, when net immigration was approximately zero. Such data were not to hand at the time of writing but should be relatively straightforward to obtain.

33. Asylum seekers count as international migrants except for those who are refused and removed, or leave of their own accord, within 12 months of their arrival. That is why the majority of asylum claims in each year are included in the Total International Migration estimates published annually by the Office for National Statistics, following the UN definition of an international migrant. That part of the cost of processing and supporting asylum claimants due to those who are granted asylum or indefinite leave to remain should be put in the balance of costs of immigration. Such persons become part of the “regular” population and are counted in the numerators and denominators of all the calculations on labour force, tax and benefits etc with which we are familiar. It is only appropriate that the costs associated with their movement into the UK should also be included.
34. It is difficult to evaluate the costs of the large numbers who are refused asylum, most of whom are believed to remain in the UK. Around 2002–03, total costs of processing and asylum support were over £2 billion. With the decline of asylum claims that has now fallen considerably. The BIA 2007–08 budget allots £584 million to “asylum” and £337 million to “enforcement”, much of which will relate to attempts to remove failed asylum seekers. Asylum seekers are also entitled to special welfare support while awaiting decisions. On 17 March 2006, in response to a request under the Freedom of Information Act, the costs of this National Asylum Support Service were stated to be £1,008 million in 2003–04. The current figure is not known to this author or whether it is in whole or part included in any of the figures cited above.

35. Crime

Ethnic minority populations, considered in a very broad classification, have for a long time been statistically over-represented at all stages of the criminal justice system (Smith 1994, Home Office 2006). However, few figures have been released concerning the immigrant population. Understandably, strong feelings are aroused by this topic and opinions differ sharply as to the cause. Many attribute this dismal statistical conclusion to the depressed condition of the populations concerned, their poor housing, unemployment, the discrimination and hostility that they are claimed to experience, and institutional racism and prejudice at all stages of the system including the identification of suspects in victim surveys, and the more severe sentences handed out to ethnic minority offenders (Hood 1992). Furthermore it is correctly pointed out that the members of the ethnic minority populations are more likely to be the victims of crime than are whites. That is all contentious, but in any attempted explanation, structural factors are taken into account especially the age-structures of the populations concerned. Crime is a youth activity and the ethnic minority populations have a youthful age-structure. That, however, does not remove the statistical imbalance. This note cannot discuss these issues of the unfairness or otherwise of the conditions that might lead to offending and does not need to. All that matters for the present purpose is that the data show over-representation that is sufficiently strong and regularly repeated so as clearly to reflect some degree of reality. It could be argued that differences in age-structure should not be taken into account. These are presented as an advantage when it comes to (eg) workforce participation of immigrants and if statistically accounted for then the claimed advantages relating to GDP would be ironed flat.

36. The costs of crime attributable to immigration fall into two broad categories: any disproportionate level of crime committed by individual offenders of immigrant origin, and the growth of organised crime, directed to particular market sectors, run by gangs of relatively homogenous immigrant or ethnic origin: robbery, prostitution, firearms and drugs rings run by Jamaican “Yardies”, Chinese “snakehead” immigrant traffickers, Vietnamese cannabis growers, Romanian cash point and credit card specialists, Turkish and Pakistani gangs competing for the heroin trade, Albanian brothel suppliers, Russian mafia executives and others. While widely reported in the press as major growth industries, it is difficult to evaluate the costs involved to the economy. This ethnic dimension appears to be particularly difficult to deal with because such gangs operate outside the usual networks of informers, information and local knowledge available to the police. Some clue as to scale can be inferred from the 11,195 foreign prisoners in England and Wales at 31 December 2006; 14.3% of the total (Written Parliamentary Answer, 14 March 2007).

37. An estimate of the costs of crime against households and individuals—the only categories for which data are available—might embrace elements of both. That form of crime was estimated to have imposed a “current burden cost” of £36.2 billion in 2003–04 (Dubourg et al 2005; Home Office Online Report 30/05). What proportion of that is due to the ethnic over-representation in offending? A very simple “pilot” calculation comparing the expected and actual distribution of the costs suggest that the excess attributable to the ethnic minority population (including immigrants and the foreign prison population alluded to above) is £3.08 billion (Table 1). That does not take any account of the distribution of crimes of different types for which members of different groups are arrested, prosecuted or imprisoned. (on which data are published), nor of the detailed age-structure of the offender population (on which data are not published) except that all data refer to the population aged over 10 years.
Table 1

CALCULATIONS OF APPORTIONMENT OF COST OF CRIMES AGAINST INDIVIDUALS AND HOUSEHOLDS BY ETHNIC GROUP OF OFFENDER

<table>
<thead>
<tr>
<th></th>
<th>Percent distribution according to ethnic group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>White</td>
</tr>
<tr>
<td>2001</td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>91.3</td>
</tr>
<tr>
<td>Arrests</td>
<td>84.3</td>
</tr>
<tr>
<td>Youth Offences</td>
<td>84.7</td>
</tr>
<tr>
<td>Crown Court</td>
<td>75.7</td>
</tr>
<tr>
<td>Prison Population</td>
<td>76.8</td>
</tr>
</tbody>
</table>

Note: *22% ethnic origin not stated.
Ethnic representation higher in crown court partly because of choices for trial in higher courts.
Ethnic prison population higher than prison receptions because sentences are longer.

APPORTIONMENT OF COSTS OF £36.2 BILLION
(datum from Dubourg et al 2005)

<table>
<thead>
<tr>
<th>Expected from:</th>
<th>White</th>
<th>Black</th>
<th>Asian</th>
<th>Other</th>
<th>Not known</th>
<th>Check</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>33.05</td>
<td>1.01</td>
<td>1.70</td>
<td>0.43</td>
<td>0.00</td>
<td>36.20</td>
</tr>
<tr>
<td>Arrests</td>
<td>30.52</td>
<td>3.19</td>
<td>1.77</td>
<td>0.51</td>
<td>0.22</td>
<td>36.20</td>
</tr>
<tr>
<td>Youth Offences</td>
<td>30.66</td>
<td>2.17</td>
<td>1.09</td>
<td>0.22</td>
<td>1.19</td>
<td>35.33</td>
</tr>
<tr>
<td>Crown Court</td>
<td>27.40</td>
<td>4.71</td>
<td>2.68</td>
<td>1.41</td>
<td></td>
<td>36.20</td>
</tr>
<tr>
<td>Prison</td>
<td>27.80</td>
<td>4.89</td>
<td>1.95</td>
<td>0.33</td>
<td>0.25</td>
<td>35.22</td>
</tr>
</tbody>
</table>

EXCESS ATTRIBUTABLE TO ETHNIC OVER-REPRESENTATION
(£ billion)

<table>
<thead>
<tr>
<th>Based on:</th>
<th>White</th>
<th>Black</th>
<th>Asian</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrests</td>
<td>−2.53</td>
<td>2.17</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>Youth Offences</td>
<td>−2.39</td>
<td>1.16</td>
<td>−0.62</td>
<td>−0.22</td>
</tr>
<tr>
<td>Crown Court</td>
<td>−5.65</td>
<td>3.69</td>
<td>0.98</td>
<td>0.98</td>
</tr>
<tr>
<td>Prison</td>
<td>−5.25</td>
<td>3.87</td>
<td>0.25</td>
<td>−0.11</td>
</tr>
<tr>
<td>Mean Excess</td>
<td>−3.95</td>
<td>2.72</td>
<td>0.17</td>
<td>0.18</td>
</tr>
<tr>
<td>Total Ethnic Excess</td>
<td>3.08</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Small error suspected in HO table in the “prisons” column.

38. Remittances

Remittances from rich to poor countries are always discussed in terms of the expected benefits to the populations receiving them. While their effects are not all benign, many commentators agree that they are advantageous or even in the short run essential (Kapur, 2004) although there are dissenting voices. It is difficult to measure their magnitude, especially in the UK after 1979 following the abolition of exchange control. But in general they comfortably exceed the volume of official foreign aid. Their impact on the country of origin is seldom discussed. Remittances may have some negative effects on the balance of payments, although surely small in relation to GDP. The remittances exported might return in the form of goods or services imported by the country receiving the remittances. But that is likely to be no more than a fraction of the total dispersed. The ONS estimates the annual value of remittances from the UK to the developing countries of origin of
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Immigrants to be about £3.5 billion. However this includes more than workers’ remittances. Household-based methods estimate the true figure to be £1.4 billion—possibly an under-estimate—of which £0.5 billion is moved through informal channels (Blackwell and Seddon, 2004). The effect on the balance of payments, if any, would be smaller than that, certainly so relative to national GDP of £1.3 trillion. But this is an area that might warrant further investigation.

Table 2

SOME POTENTIAL COSTS OF IMMIGRATION AND DIVERSITY

<table>
<thead>
<tr>
<th>ETHNIC RELATIONS AND SUPPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Authority race relations estimate assumes 1.5 staff per LA</td>
</tr>
<tr>
<td>Higher Education race relations estimate assumes 1 staff per institution</td>
</tr>
<tr>
<td>CRE CRE Annual Report 2005</td>
</tr>
<tr>
<td>Ethnic Minority Achievement grant DFES. For schools, from Home Office Section 11 Grant. Administered by Learning and Skills Council</td>
</tr>
<tr>
<td>English for Speakers of Other Languages Learning and Skills Council</td>
</tr>
<tr>
<td>Translation Ruth Kelly MP, Times, 11 June 2007, re Commission on Integration and Cohesion “Our Shared Future”</td>
</tr>
</tbody>
</table>

Security, Immigration

Security (MI5) (from Home Office?) Times, 9 August 2006. Terrorism component only | £174.0 |

National Asylum Support Service 2003–04 Home Office via Freedom of Information Act FOI 2947, 17 March 2006 | £1,008.0 |

Asylum process 2007–08 Borders and Immigration Agency Business plan 2007–08 p 45 | £584.0 |

Border control Borders and Immigration Agency Business plan 2007–08 p 45 | £229.0 |

Enforcement action Borders and Immigration Agency Business plan 2007–08p 45 | £337.0 |

Migration Borders and Immigration Agency Business plan 2007–08 p 45 | £121.0 |

Crime

Additional cost attributed to minority populations Base data from HO (2006) and Dubourg et al (2005). Crimes against individuals and property only | £3,080.0 |

Medical and related costs

Annual costs of management of minority HIV p/c cost cited in House of Commons Select Committee on Health 3rd Report | £330.0 |

Remittances A proportion of this could affect balance of payments. Data from Blackwell and Seddon (2004) | £1,400.0 |

Note: These different estimates should not be added to make a total. They are preliminary and some categories may overlap with others. Please see relevant text, especially paragraph 26.
39. Emigration

A final aspect of contemporary migration is the substantial recent emigration of UK citizens. Some find this troubling, others regard it as a natural consequence of globalisation (eg IPPR 2006). While Britain is historically a “nation of emigration”, departure of UK citizens had fallen to modest levels after the 1960s except for a transient increase in the early 1980s. In the last few years, net outflow of UK citizens has risen to about 100,000 per year, in almost mirror-image of the increased inflow of foreign citizens. The flow is very diverse; pensioners to Spain, some workers to Europe, but also many young people, and families, following an earlier track to Australia, the US and elsewhere. We do not yet have a clear idea why emigration has increased. Research in the Netherlands, where the outflow is much higher relative to population than it is here, many respondents cite overcrowding, a deteriorating urban environment, and poor public services (van Dalen et al 2006). These possibly difficult areas have not yet been explored in the UK. Qualitative aspects are not encouraging. The UK is the only major OECD country that has lost almost as many tertiary-qualified people as it has gained through the migration process (Dumont and Lemaitre 2005). That somewhat nullifies the economic benefit derived from high-level immigrants.

40. General Conclusion

Immigration and emigration for work, family, retirement, study and other purposes, are normal processes for any civilised open society trading at peace with its neighbours. Migration benefits immigrants themselves, employers who have access to easy labour and some consumers of services, especially those at the higher end of the income distribution. In expanding (working) population it inevitably expands overall GDP. But the net effect on average individual economic welfare in the narrow sense is small at best. Broader economic effects, not usually included in models based on fiscal or GDP criteria, are potentially substantial and seem on first inspection mostly to be negative. However this note has not explored any equivalent uncounted economic benefits of immigration. Easy access to labour may also have adverse strategic effects upon education, training, employment and productivity.

41. If current levels of migration persist, however, their most striking and permanent effects will be to increase the population size of the country by 15 million by mid-century. That would do no good to housing quality and other amenity, wildlife and environment and would accelerate the UK contribution to global warming. There would be concomitant permanent and progressive changes in the ethnic composition of the population. These radical and permanent transformations to the national life are on a different scale to the small and often short-term benefits that the same migration patterns bring to employers and consumers. None of that is set in stone, however. Immigration can go down as well as up.

15 October 2007

Examination of Witness

Witness: Professor David Coleman, Oxford University, examined.

Q266 Chairman: Good afternoon. Thank you very much for coming along to talk to us. You are very welcome. You have submitted some written evidence to us which we appreciate. Do you want to say anything to start off with or are you happy to go straight into the questions?

Professor Coleman: Let us go straight in, if you would.

Q267 Chairman: How likely is it, in your view, that the Government’s current net immigration projections will be accurate? What factors could cause the level of net immigration to diverge significantly from those projections?

Professor Coleman: All population projections are always wrong. What matters, of course, is how wrong they are. With respect to migration, it is the most volatile and fragile element of any projection and therefore the most likely to be incorrect. In a way, that does not matter because one of the merits of population projections is that they show the necessary logical consequences of a particular set of assumptions projected into the future. If those assumptions hold, then the projection is what absolutely must happen. So it gives you information, a warning, whatever you like to call it, of what will happen if things continue as they are trending at the present time. Having said that, the position recently is that there have been, I think, seven successive upward revisions of international migration by the Government Actuary’s Department over the last decade or so. There have not been any downward revisions. Migration can of course, and does, decline as well as increase, to misuse the financial services health warning. This must be kept in mind. But the general trend over some time now has been for an increase, although perhaps at a slightly decreasing rate of increase. My expectation would be that unless

*Note by witness: The ONS does not publish separate data for remittances with the National Accounts.*
something happens which is not yet expected, migration will continue to go up to a moderating extent and maybe even higher than 190,000. I do not think this will continue for long and certainly by 2050 I would be astonished if it was still 190,000. I did not answer your question about the factors that might alter it. Migration is very tiresome and complicated. First of all, because it is not one process but several. There are so many different streams of migrants entering for different purposes and with different consequences, as I am sure other people have made clear. Also, it is influenced by not only what goes on in this country to some extent, its economy and its migration policies, but also what goes on in a dozen or two dozen other countries in terms of their political change and their economies as well. That makes it uncommonly difficult to forecast. I think it would be helpful if we could, at least in theory, split up migration into its different streams. One important one which is not considered very much in the economic context, because it is not an economic migration, is of course the migration of spouses for family reunion and, increasingly importantly, for family formation. The latter especially is reasonably strongly correlated with the growth of the Asian and ethnic minority populations in the UK and is becoming important both here, in Holland, Germany and other countries which have such populations. Until that culture changes or the policy changes, one might expect that element of migration to continue in an upward direction. Economic migration, though, is much more related to economic trends and also to government policy affecting those economic trends as to how far the needs of employers are going to be met or not met. Those are just two of several components. A third one is education. At the moment, universities can only stave off bankruptcy by recruiting as many as possible of non-EU graduate students because they are the only ones who pay the economic costs of what universities actually provide. This has an unintended effect upon migration naturally. Were university finances to be changed, there would possibly be a downward trend in that recruitment and it would become less frantic and less essential to salvation from the economic point of view of the universities.

Q268 Lord Layard: You have made some remarks about the Office for National Statistics, but are you thinking that it is now doing enough to improve its statistics? I am talking about its actual measurement of migration stocks and flows. If not, what else should we be doing? How accurate can we ever hope to be?

Professor Coleman: The ONS is doing a highly professional job to the best of its ability with what seem to be rather limited resources. The fundamental problem that it has is that it is trying to measure migration with instruments which are really quite unsuited for the purpose. The international passenger survey, as you know, was invented back in the 1960s as an instrument for the Board of Trade for balance of trade, tourism and things of that kind. It is only incidentally used to measure migration. It does so by using a small fraction of its interviews, as I am sure you know very well, to take a voluntary sample of those coming in, about 1,800 a year, and those going out, about 800 a year or thereabouts. Those are then grossed up to make migration assumptions from different categories of people by age, marital status, country of origin, nationality and all the rest of it. That is intrinsically unsatisfactory because it is voluntary and it is quite a small sample survey. They are also trying to use the labour force survey, which is also a voluntary survey, although a much bigger one, 60,000 a year, which has a question on migration over the last 12 months: whether someone was living abroad 12 months ago. The hope would be that all these things can reinforce and correct each other. The trouble is, as they are all defective, it is difficult to know which one to trust. The 2001 Census for example was deemed to be infallible to begin with, as you know, and turned out not to be infallible. As a consequence of the belief in its infallibility, the migration estimates were toned down quite a lot because it was assumed that the only thing that could be wrong were the emigration estimates of white males. You may recall the particular excitement in the papers, the supposedly 800,000 white Britons cavorting on Bondi Beach unknown to the authorities in Australia and in the UK. This deficit has been squeezed down to quite a small number. We do not really have a complete set of data which tell us how these things really add up. There is one other source, the Home Office source, of data on admissions, and admissions for settlement in particular. The trouble is that in all except a few categories these are not compatible with the International Passenger Survey data, not least because they are only gross inflow data and do not have any kind of departure element to them. Matching those is difficult. It seems to me and some of my colleagues that the instruments which the ONS has at its disposal are really at the end of their useful life. The ONS is doing its best in a number of ways to improve them. It has increased the sample size on emigration, as I am sure you know. It has increased the cover of entry in the less used ports of entry to try and make the coverage more complete. It has been involved in the long term e-borders initiative. That will not come on stream until 2013 and the extent to which that will record information of a useful kind in both directions is still quite unclear. It is almost impossible, for me anyway, to find anything in the public domain about the details of the e-borders initiative. That is partly because it is still being put

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out to tender and there is still much which is unclear. It seems to me that the ideal way forward, if one could stump up the cost and if the political objections could be overcome in some suitable way, would be to abandon these approaches and to have instead a population register of the kind which a number of foreign countries have, which would at the same time probably remove the need for a census. It would mean that the e-borders initiative, which would log everyone coming in and everyone going out, would be linked to a population register which would show where they were, how long they were staying and when they left. That would also, of course, give us a reliable total, were it to be done properly, of the total number of people in the country and their condition and where they are living and so on. The Swedes do this and a number of other countries do this without any noticeable erosion of their civil liberties, and I think we should do as well. It was toyed with by ONS for a while but I think it was dropped.

Q269 Lord Best: Do you think this debate as to whether or not we should be looking in some detail at foreign-born persons as opposed to foreign nationals is a productive debate for us to worry about? If it is, do we have accurate figures of these two groups in terms of arrival since 1997, foreign-born versus the foreign nationals? We did actually ask your predecessors in that position the same question and I was not entirely clear of the answer. From your perspective, is this an important ingredient for us to get our heads around?

Professor Coleman: It is particularly important when so much emphasis has been placed in recent Government policy on the specific advantages of immigrant movement into the UK from the point of view of its effects on the economy, so whether people were born abroad or not, usually whether they are of foreign origin or not in addition to that, is clearly very important in the context of the present debate. As regards the accuracy of the data, the data on the foreign-born coming into the country as measured by the International Passenger Survey is just as accurate as any other element of data from the International Passenger Survey. That is to say that it is strongly constrained by the sampling error which such a small sample necessarily imposes, and it means that you cannot easily split up that data into different countries of origin unless those countries send very large streams. You have probably noticed that in the tabulations which the ONS produces, the country of origin categories, whether they are birthplace or nationality or where they physically come from before immigration, are really quite coarse India, Sri Lanka and Bangladesh are all lumped together; Pakistan\(^7\) used to be separate, I am not sure it still is separate; the West Indies used to be separate but has now been abolished as a separate category; “Other foreign” covers 150,000 or 200,000 people. With one year’s data it is almost impossible to divide those up in any kind of statistically respectable fashion; to do that you have to amalgamate several years data which may lose interesting information. Of course, if you could really substantially increase the IPS sample or have a complete count of those coming in which collected such data, you would to be on a very much firmer basis: knowing exactly where people are coming from and what the immigrant population is. Elsewhere, if I may just develop that for a second, in the national statistics system as a whole we tend to lack data on birth places of individuals. We have perhaps put too much emphasis on collecting data by ethnic minority status, perhaps for some very understandable reasons, and also perhaps because the notion of migrant or immigrant has become slightly pejorative. This means that when it comes to answering questions of the kind which are raised by the Government’s recent policy, we are rather deficient in data on where people were born, not so much from the IPS but from other kinds of statistical sources and from samples of various kinds. Above all, we are deficient on nationality: nationality has not been asked in the census since, I think, 1971\(^8\) and it is a grievous error not to have kept it in. It is going in, I gather, in 2011. That is quite an important dimension, especially on migration.

Q270 Lord Macdonald of Tradeston: Your written evidence concludes that “overall the effects of the new [immigration] policy are counterproductive and damaging to the national interest”. How do you define the “national interest”? How should the impacts on employers be balanced against those on workers, and what weight should be given in policy design to the interests of the migrants and their countries of origin?

Professor Coleman: That could detain me for a long time. To turn first to your first question about defining the national interest, I suppose the answer is that I do that with some difficulty. But one can do it on a multi-level basis. It perhaps could be regarded as the sum of the effects on the population as a whole from the point of view of their economic development, their wages, their incomes and the security of those things at the economic level; also, at the individual level on the prospects which they have for housing their families, for advancing the interests of their children and advancing their own ambitions. At the community level one might think of the extent to which a population is experiencing continued cohesion and a sense of identity which is, I would have thought, good in a general way for morale, or on the other hand is finding itself rather divided up in a

\(^{7}\) Note by witness: Now, all lumped together as Indian sub-Continent!

\(^{8}\) Note by witness: Last asked in the 1961 census.
way which may erode civil society, which may erode support for the welfare state, which may make people feel that they are belonging to a rather inward-looking community rather than to a broader society based on a common citizenship. At the national level, what effect it is having upon the macroeconomic characteristics of the country, on its security from the point of view of internal threats and also external ones, and the extent to which it can conduct an independent foreign policy—in so far as anyone can these days—which is based upon the interests of the country as a whole as opposed to being driven or altered in some way by powerful minority groups inside, which may have a different set of priorities from that of the national average. That is the first question. The second one was?

Q271 Lord Macdonald of Tradeston: How should the impacts on employers be balanced against those of workers?
Professor Coleman: I hope I can extend that slightly because it is not just workers versus employers in this case, in a slightly old-fashioned class war kind of way, it is more the effect of employers on everybody else in the country. When employers bring in immigrant labour, then that of course is a benefit to them, it is a benefit to the immigrants, it is a benefit to those who consume the services and buy the goods the immigrants provide. That is not in dispute. It does, of course, have much wider consequences for the wider society, because those immigrants, quite naturally, will want to have families, they will want their children educated, they may or may not want their children to be part of the country in which they have settled or they may have some reservations about that, as we know is the case with some groups. The migration which the employers promote will increase population size, which has all sorts of consequences for housing, for land, for the countryside and the environment, so it affects the whole country. It is much more, therefore, than the interests of workers versus employers, it is the employers versus the interests of a very wide spectrum of everyone living in the country who is affected to a greater or lesser degree by what the employers do and what happens to their workers once the employers have finished with them. The third one?

Q272 Lord Macdonald of Tradeston: What weight should be given in policy design to the interests of immigrants and their countries of origin?
Professor Coleman: The interests of immigrants themselves are something which of course have to be, and are, protected by law and by any normal standards of decency. The interests of the countries from which they come are a different matter. A basic principle of democracy, which I suppose might seem a rather selfish one, but nevertheless I think is true and is something on which national democracies rest, is that the interests of the local population, of the electorate, are paramount and their consent would be required if their interests were to be set aside for some possibly good moral reason for the advantage of anybody else. It certainly is not possible to solve the problems of countries overseas by promoting large-scale migration into countries like the UK; apart from anything else, the scale is out of the question. The populations of the countries from which most poor migrants come; the countries of origin of those migrants who are culturally different from Britain are hugely greater than that of the UK and for almost all practical purposes infinite. There is no way in which, say, population pressure, could be in any way relieved by promoting migration to Britain. We do do so, of course, in a more specific way by agreeing to international asylum conventions, which is one way in which we do benefit people who are in trouble and who show they are in trouble in foreign countries. That is rather a special category.

Q273 Lord Kingsdown: How do the costs and benefits of immigration differ from those of population growth without immigration? Is there an optimal population for the UK?
Professor Coleman: First of all, it seems to me—if it is not too heretical to say so—that population growth is not particularly desirable and may in the long run not even be possible. We are running out of planet in rather a big way and countries like Britain, as we all know, are consuming ten or twenty times as much resources per capita as those in the rest of the world and are producing a correspondingly large amount of contaminants and greenhouse gases and all the rest. From the point of view of world interest, if one can conjure up such a concept, it would be very helpful if the developed countries would stop increasing their population size, as well as improve their performance in terms of more efficient use of resources and a moderation of greenhouse gas emission and all that. There is no evidence that I am aware of that a growing population size or even a large population size, in the developed world countries, has any positive effect upon per capita income; when you do the statistics the line is flat. Small countries are just as rich, some indeed are clearly richer than large ones, and within the western world countries which are growing somewhat are no richer than those which are declining somewhat. This may not last into the future of course, it depends how long the decline goes. We ought to be thinking about population stabilisation and reconciling ourselves to some small degree of decline in the future, so long as that decline is very slow and so long as that decline
comes to an end, which of course is not something which can be guaranteed, although there are some reasons why it might indeed do so. Population decline is not on offer for the UK at the moment on present projections, as you will well know. A stable population, can be maintained if the birth rate is about the level of replacement. Then the support ratio, the ratio of people of working age to the people of pensionable age, is more or less as good as you can get under normal circumstances and certainly would be better than the future level expected at the moment. With a replacement level of fertility the potential support ratio would more or less stabilise, subject to the death rate, at about 2.7, 2.8, something of that kind, compared with the 4.2 which we have now. That is rather better than would be the case if the birth rate were lower. If you try and preserve the support ratio by migration, then you can do so. But you can only do so at the cost of really quite considerable population growth. The gearing between immigration and the support ratio is not very favourable, it is rather inefficient. It would mean putting up with quite a lot of population growth, which is not a good thing at the moment. As far as the optimum is concerned, there have been lots of attempts to find the optimum population. I do not see that any of them are guaranteed, although there are some reasons why it might indeed do so. Population growth, which is not a good thing at all, because if you increase the population of a country by any means, unless none of those people who comprise the increment are actually working, then the gross domestic product goes up. That seems to me a rather irrelevant conclusion. The small numbers of per cent by which the gross domestic product is clearly increasing as a result of immigration, as it must do, have no bearing really upon the average level of living of the people in the country. It is the average standard of living of people in the country which matters, both from the point of view of logic and also from the point of view of what governments always say: they want to improve the standards of living. Immigration does not improve overall standards of living for each individual by anything more than a tiny degree, and some of the evidence suggests that it may be negative, at least under certain circumstances. That is one exaggeration, this persistent emphasis upon gross domestic product and not per capita gross domestic product where the claims do affect a very small number indeed. The second is when making this calculation the assumption has been that all migration is in some way economic migration. But until the A8 influx, economic migration, that is to say people coming ostensibly and specifically for the purposes of work, has always been the minor part of migration. In some European countries—in fact most European countries—over the last 30 years there has been quite a small minority of “economic” migrants. Most immigrants to Europe in the last few decades have

Q274 Lord Kingsdown: If we had much more immigration, would that be making a contribution to this balance at all, or is it something that one wants to avoid as a matter of national interest? Professor Coleman: The balance of what, excuse me?

Q275 Lord Kingsdown: At any given moment we have so many hundred thousand immigrants coming in and so many hundred thousand emigrants going out. Professor Coleman: Yes.

Q276 Lord Kingsdown: Supposing the immigrants stopped coming in but the emigrants continued to go out, would that be healthy for the economy? Professor Coleman: It would entirely depend upon the numbers. It is impossible to imagine that migration in, or emigration out, would ever stop. In recent years, in the 1980s, both were quite modest and the net level of migration was sometimes negative, sometimes positive, but it was quite close to zero, certainly in terms of the total population and in terms of the main drivers of population change, which are the numbers of birth and deaths. That has now changed quite a lot because immigration has increased so much. If there were to be no people coming into the country and very large numbers leaving, as in the case of Bulgaria for example, and one or two of the other Eastern European countries, that would normally be symptomatic of something seriously wrong with the country, with its economy, its politics, its standard of life, its health service and so on. It would be an indicator of malaise, as in the case of Bulgaria it clearly is. I would have thought that things would have to be very bad indeed for migration into Britain to stop or the pressure for it to stop, and emigration to be very high.

Q277 Lord Lamont of Lerwick: You have said that the Government has exaggerated the economic benefits of immigration. Could you say why and give some examples? Professor Coleman: There are two ways in which it has been exaggerated. One is in the evidence which has been presented of a statistical kind, which is, I think, responsible for the exaggeration in two ways. First of all, because it concentrates upon gross domestic product without reference to population growth. GDP is not a terribly important things to emphasise because if you increase the population of a country by any means, unless none of those people who comprise the increment are actually working, then the gross domestic product goes up. That seems to me a rather irrelevant conclusion. The small numbers of per cent by which the gross domestic product is clearly increasing as a result of immigration, as it must do, have no bearing really upon the average level of living of the people in the country. It is the average standard of living of people in the country, which matters, both from the point of view of logic and also from the point of view of what governments always say: they want to improve the standards of living. Immigration does not improve overall standards of living for each individual by anything more than a tiny degree, and some of the evidence suggests that it may be negative, at least under certain circumstances. That is one exaggeration, this persistent emphasis upon gross domestic product and not per capita gross domestic product where the claims do affect a very small number indeed. The second is when making this calculation the assumption has been that all migration is in some way economic migration. But until the A8 influx, economic migration, that is to say people coming ostensibly and specifically for the purposes of work, has always been the minor part of migration. In some European countries—in fact most European countries—over the last 30 years there has been quite a small minority of “economic” migrants. Most immigrants to Europe in the last few decades have
been new spouses, old spouses, child dependants, older dependants, students, people coming for no particular known purpose, asylum seekers, people entering who have been given an amnesty and so forth. The A8 inflows have changed that in Britain recently, but that may not last. The calculations and assumptions which the Treasury keeps making assume that the workforce participation rate and levels of income of migrants are the same as the rest of the population, and it just is not true. There is variation, some are much higher, some are lower, but unemployment is higher and the participation rate is somewhat lower overall than the rest of the population, as is the case in almost every other European country, and this tends to be ignored. The second way in which things are exaggerated, it seems to me, is just in the use of language. In Mr Blair’s speech to the CBI—I think it was in April 2003—and there were various speeches by Mr Blunkett and Mrs Roche and others, we heard that immigration is essential to the success of the British economy. It would be disastrous if this migration had not happened. Furthermore, attempts were made to persuade us that this has always been the case, notably in Mr Blair’s speech. That is just ahistorical; it is not the case and it can be clearly shown not to be the case, not least because migration into Britain from overseas had been really quite modest until the 1960s. That rhetoric has been unfortunate, to say the least.

Q278 Lord Lamont of Lerwick: I do not know if you were here when Ms Riley from NIESR argued that actually the contribution of immigration had been to boost GDP per capita; did you hear that?

Professor Coleman: I did, yes, and I acknowledge that there are some calculations which show this to be the case. But there are others which show that it is not the case, that either it is too trivial to be made a fuss of or actually is negative. One of the sadnesses about the Government official response to this Committee, which she also commented on, was that almost all that evidence was, it seemed to me, ruthlessly ignored. There are a number of papers which, for example, Professor Rowthorn mentioned in the course of his submissions to this Committee which list quite clearly a number of studies both in Britain but particularly abroad, both on the Continent and in the US, where the per capita effect is negative. It is normally small, most of these effects are small when computed on GDP or on a fiscal basis, a small positive or a small negative; there are hardly any studies which have shown more than 1% plus or 1% minus on that calculation.

Q279 Lord Lamont of Lerwick: I do not know if you heard her point about the contribution of capital towards GDP growth and suggesting that some of these estimates that showed negative growth were ignoring the actual contribution of capital towards the increase in GDP.

Professor Coleman: I did not hear that, either because I had not arrived or because I did not quite catch it. I am surprised to hear that because one of the criticisms sometimes raised about the effects of migration is that they bring labour but do not bring capital, except in the very few cases of entrepreneur migration, and therefore that capital is being diluted. Part of the immigration shock which I heard her talk about is deemed to be the effect of a large influx of labour at one particular point in time where capital formation then took some time to catch up—if I can be ungrammatical—and for a time therefore the effect is negative although in due course, perhaps in five years or so, capital formation should have caught up and the labour can be more effectively employed. There was something quite specific to that effect in a report by the OECD in the last year or two, if I recall correctly.

Q280 Lord Skidelsky: Would it be an acceptable summary of your written evidence to say that you regarded the strictly economic effects of migration, whether positive or negative, as negligible, and that the important impacts which we ought to be considering or anyone ought to be considering are the “uncosted externalities” such as impacts on crime, security and health, and the costs of integration, race relations and equality processes. If you abstract those from the strictly economic effects, which are negligible, then these areas are where the important impacts come. Would that be an accurate summary of your views as you express them in your written evidence?

Professor Coleman: Yes, it would. Perhaps I could qualify it slightly by saying that the aggregate result which you referred to at the beginning of your comment is an aggregate result and is a combination of a number of effects, some of which are clearly positive and others of which are less clearly positive. The arrival of skilled and professional workers into Britain is clearly beneficial and, like much other migration, is a perfectly normal part of ordinary economic life. No one is disputing the benefit which arises from that, although there are some possible harmful side-effects which we might go into later on. That is counterbalanced by the effect of poor and less well skilled immigrants who do not make this contribution and the two cancel each other out. It is possible to imagine migration streams consisting entirely of highly skilled people where the effect would be much more clearly positive, but in practice this is not the case, either in this country or in any other western country that I have knowledge of.
Q281 Lord Skidelsky: To go on from that, how should one determine which of these costs and externalities to include in an overall assessment of the impact of migration?

Professor Coleman: First of all, you have to put a number on it, which in some cases is reasonably straightforward but in other cases is not. That is one reason why they have not been included because in the quite reasonable Home Office 2001 paper which reviewed, right at the beginning of this policy change, the pros and cons of migration, it was explicitly stated that, for example, except for the age structure, there were no differences in education costs and no difference in health costs. So clearly these were taken on board as being potentially important, but for reasons of access to data, perhaps, they have not been considered. Anything which is necessarily a consequence of migration and is primarily or wholly a consequence of migration, and which is accountable in costs, ought to go into that equation. That applies, I ought to say, to positive externalities as well. I am not aware that there are very many and I did not have time to explore them in my rather hasty submission. But the possibility of there being positive uncosted externalities must be kept in mind. I can think of one or two but I do not have any idea what the measurement might be.

Q282 Lord Turner of Ecchinswell: Can I ask a further question about uncosted externalities, and it refers back a little to the question about the difference between population growth in general and immigration in particular. It strikes me that you could have done an analysis of the uncosted externalities of population growth per se, or the uncosted externalities of immigration, or the uncosted externalities of ethnic diversity, whether a recent immigrant or not.

Professor Coleman: Yes.

Q283 Lord Turner of Ecchinswell: Most of your material here relates actually to the latter two categories, the uncosted externalities of recent immigration or indeed of ethnic minority diversity.

Professor Coleman: Yes.

Q284 Lord Turner of Ecchinswell: You did not really focus on the issue of the uncosted externalities of population growth per se, other than, for instance, a reference to the Dutch evidence on people leaving the Netherlands because they just feel the place is too crowded. Is that simply because we asked you about immigration so you focused on immigration, or if we had asked you about population growth would there have been as much on the uncosted externalities of higher fertility as there is here on the uncosted externalities of immigration?
yes. It may be that if immigration had had a different pattern in the past than certain other salient problems would have been less great than they are at the present time. You cannot choose migrants on the basis of race or colour or religion, that would be quite improper. What you could do and perhaps what should have been done over a long period of time is to require immigrants coming to Britain for a long period of time or for permanent settlement to sign up to some kind of declaration of rights, or to understand a set of expectations. This has never been done, partly because the migration we have had has not really been planned at all, it has never been particularly intended, it has happened as a consequence of the various undertakings entered into, through international treaties, through considerations of human rights and humanitarian obligations to reunite families and so on. But if it had been done in a more systematic way, then it may be that immigrants would have entered Britain with a clearer understanding of how most people expected them to behave, as opposed to recreating the home communities in Britain in a rather inward-looking way, which has not been entirely helpful.

Q286 Lord Moonie: You have partially answered this one, but I will ask it anyway for the record. Given the limited data available, how confident are you, both in the accuracy of and your interpretation of the figures that you cite for the impacts of immigration and diversity, particularly regarding health and crime?

Professor Coleman: It is highly mixed because of the different categories that I have put together, which are very preliminary. I used different sorts of data; the data on crime and the costs of crime, for example, as far as I know, are the only data there are. They both come from official sources although they are different sources that I have stuck together, I hope licitly: data from the Home Office on the costs of crime, on the one hand, with separate data from the Home Office on the propensity to criminal behaviour as measured at various stages of the criminal justice system, from a different study. As far as I know, those data are as good as they can be, which may not be saying a great deal. But a lot of care has gone into them and the documents supporting them are very long and detailed. Other estimates, like the estimates of the cost of race relations activity in local authorities, had to be based upon an estimate of the number of individuals employed by each local authority involved with this, which I have assumed to be 1.5 on average, the number of local authorities and a reasonable guess at what a clerical or higher clerical grade officer would be paid. I would be surprised if they were grossly out, but I have been explicit that those were the much more precarious assumptions on which I based that estimate.

Q287 Lord Paul: What would be the impact on the cost of border control and internal enforcement of a policy that aims to reduce migration to Britain? Has Britain’s openness to immigration helped keep illegal immigration lower than it would have been under a more restrictive immigration policy?

Professor Coleman: I do not know the answer to the first question except that I am quite sure it will be high, and anyone advocating a more restrictive policy of immigration, as I would if I were able to do such a thing, would have to take on board the fact that it would involve very considerable costs, and one must not flinch from that point. Exactly how much is difficult to say. A recent citation for the costs of border control is about £470 million per year if I remember correctly. There has been some political party debate on that subject as to whether the costs of a border police force, as proposed by the Conservative Party for example, would be able to replace the identity card which they cost at £20 billion and the Government costed at £5 billion. All the Conservatives have been prepared to say is that it would cost tens of millions more to have such a border police force, even though it seems quite a lot of the proposed numbers in that police force are actually drawn from existing forces and not created anew. If you want to do this, you have got to swallow the pill of a great deal more money. How much a population register, together with e-borders, would cost, I do not know, but to begin with, it would be certainly more than the census which it would replace. In the long run it would lead to a much more efficiently managed country and one which would run on much more high octane statistics than is presently the case. Of course, if we had introduced a population register back in 1753, when Parliament first debated it, then of course those costs would be well in the past although we would have had to modernise it in the interim.

Q288 Lord Paul: One of the benefits of an open policy has been that Britain’s influence all over the world is much more than what it deserves. What would happen on account of that?

Professor Coleman: That is an open immigration policy on the part of the countries which have received British immigrants over the last 200 or 300 years rather than openness from outside into Britain. That has certainly been very much to our benefit in the sense that it brought into being an English-speaking United States, Australia, Canada, New Zealand and other parts of the world, as opposed to them speaking French or Arabic or whatever you care to mention. Nonetheless, I suppose the blunt
fact is that in the past many of those recipient populations, alas, then did not have any choice in the matter because they were numerically too small or too primitive to stand in the way. One of their great regrets must be, for the American Indians and the Maoris and everyone else, that their immigration controls were not rather more effective than they had been.

Chairman: This is fascinating, but we are getting a bit wide from the economic impact of immigration. Lord Vallance.

Q289 Lord Vallance of Tummel: What do you think is the impact of remittances sent abroad by migrants to this country and how does that compare with remittances to the UK from British people who are living abroad?

Professor Coleman: There seem to be a couple of different views as to the economic effects of remittances and at least three different sources of data give different numbers. Some more Malthusian or Keynesian-minded economists take the view that remittances are effectively taking money out of circulation as if you had parked it under the bed and are not spending it, and therefore this reduces the demand for goods and services compared with what otherwise might have been the case. Others feel that this is not valid and that the only valid consequence of an economic kind is on the balance of payments itself, which is a negative of course, with remittances being transmitted overseas. I have seen, three estimates one comes from the UK Government Pink Book, which is about £550 million per year for remittances, strictly defined, and two others: one from a household survey gave £1.4 billion, which is the figure that I cited, and another one from ONS suggested that it was about two point something billion per year, so really quite a big variety of estimates and I chose the middle one. There are also, under the balance of payments heading, as I am sure you know very well, items for payment of salaries overseas. The balance of payments deficit is about a billion according to this Pink Book, but the converse, the amount received from overseas, is about two billion and the remittances are about the same. It is clear that remittances in the broad sense and probably the narrow sense as well, taking all people into consideration and both flows into consideration, are a positive benefit. But I think that that would be an incorrect combination of flows, because the one has no connection with the other. If the remittances from immigrants in Britain were to be lower or to cease, then of course it would make the advantage that at the moment we rake in from overseas even greater.

Q290 Lord Lamont of Lerwick: Can I just follow up on that? The two arguments, what you call the Malthusian or Keynesian one and the balance of payments one, they are not contradictory, are they?

Professor Coleman: They are not.

Q291 Lord Lamont of Lerwick: You just said that some people say the first is not valid, why?

Professor Coleman: I am not sure that I can explain that. I would have to go back to the LSE and do some more economics to explain exactly why they were not convinced that it was an important consideration. It seemed to me that it was, but I was assured firmly that this was not the case by wiser men than me.

Q292 Chairman: Let us move on. The Government’s proposal for a points-based migration system, do you think it will be effective?

Professor Coleman: It will be effective in helping employers to get what they want; it will be effective in probably increasing the flows of migration; it will be effective in probably weakening the knowledge which we have and the control that we have over the pattern of labour migration. Whether it will be effective in doing anything particularly good, I am not sure. I rather fear that it will not. There are a number of reasons: one is that the points system has no bearing on non-economic migration at all. That, one assumes, will proceed under the present regime for students, new spouses, family reunion and child and elderly dependants and so on. All that is really a very important component of migration which the points system does not touch at all. The points system does greatly increase the influence of employers because it is going to be a devolved system whereby employers will apply to the appropriate ministry for recognition—for me if I am teaching grandma how to suck eggs but this is my understanding of it—as an appropriate donor of sponsorships, of which there are two categories, A and B, and the B will be, it seems, rather less trustworthy than the A one. Once they are recognised as appropriate dispensers of sponsorships, they will then be able to say each year, “we want 50 people or 30 people of this kind to meet our needs in the coming year”, and they will be able to recruit them as long as the migrants can pass the points required. The points required will be judged at the local level, in Ulan Bator or wherever it might be, by the consulate there, in several dozen or even hundreds of places around the world. It will not be done centrally. Unless there is going to be a very expensive centralising information system created, we will not really know what is going on as an aggregate flow into the workforce from one year to the next. It is interesting to note that no other country that I am aware of is proposing to have a points-based system for what is in theory temporary migration. Those countries that have points-based

9 Note by witness: OWS estimated the annual value of remittances from UK to the developing countries of origin of immigrants to be £3.5 billion. That includes more than workers’ remittances—it includes all transfers.
systems—the US, Australia, Canada and New Zealand—do so in order to acquire what they call permanent settlement, people whom they assume will stay for good or at least for a long time. We are doing it on the basis of what is generally thought to be potentially a temporary migration for labour, even though of course it may turn into settlement depending on whether the person will stay or not. Once you have these potential sponsorships, employers can recruit however many they want without having to show that the market has been tested. For work permits, at least in theory, you had to show that you have advertised in Britain and the EU but you cannot fill the post with a suitably qualified person. Then you can go outside the European Economic Area and get someone. With the points-based system, you need not do that any more, it is much less clearly related to employment needs than was the case in the past.

Q293 Lord Layard: You have already implied quite a bit about what you think about the Government’s courage, but if you take the Government’s submission to this inquiry do you have any comments beyond what you have already said?

Professor Coleman: Perhaps not very much. I am very reluctant to make adverse criticisms on something which has clearly had a lot of thought gone into it, but I am not sure that it has been thought of an entirely fair-minded kind. I know perfectly well that there are a large number of sources of information, of studies, of references which are well-known in economic and demographic circles which seem to me, frankly, to have been ruthlessly excluded in order to make a more positive case. The only negative example that I can think of which is cited in this Government report is a 1996 paper by Borjas, which is obviously somewhat out of date. That has been succeeded by lots more papers by Borjas and others which Professor Rowthorn cited at length in his submission. These are simply not there, one cannot have such an unbalanced presentation, it seems to me, coming from an official Government source. That is rather regrettable.

Chairman: Thank you very much indeed, you have certainly covered a lot of ground at a pretty good canter and we are very grateful to you for that. Thank you very much indeed.
TUESDAY 27 NOVEMBER 2007

Memorandum by the British Medical Association

The British Medical Association is an independent trade union and voluntary professional association which represents doctors from all branches of medicine throughout the UK. It has a total membership of over 139,000.

Which occupations in your sector has the highest shares of migrants and why? To what extent do you think the employment of migrants is a reflection of pressures to minimise labour costs? Is there a difference in this context between privately and publicly funded health care jobs?

1. In relation to the medical profession, it has long been considered that a disproportionate number of Staff and Associate Specialist (SAS) posts, that do not contain postgraduate training, are filled by migrant doctors (see Appendix 1 for further information on SAS doctors). This is often because UK doctors do not wish to join these grades as they believe they have been given a commitment to be trained to consultant level. Trusts have created Trust Grade posts, to fill service gaps, which have non-standard terms and conditions of service. Doctors employed in these posts are not protected by national terms and conditions of service and may be employed on poorer terms. Such posts are often filled by migrant workers.

2. Given the existence of national terms and conditions for the majority of medical posts in the NHS there is little correlation between recruiting migrant workers and the reduction in associated labour costs. By virtue of being international medical graduates, the UK will not have paid for their undergraduate medical education, a saving of £250,000 per doctor.

3. There has been a lag period for the involvement of migrant doctors at senior levels in the private medical sector; this has been due to a relative delay in achieving consultant status. Migrant doctors who have not yet specialised have been recruited by the private sector to work in non-training service posts. The BMA is also concerned that private sector providers might choose to employ GPs from abroad in order to minimise their costs and perhaps achieve a competitive advantage when pricing their services. The BMA would be concerned if these doctors were exploited for this purpose or employed on inferior terms and conditions.

Can immigration only be a short-term solution to domestic shortages? What is the long-term solution and how can it be achieved, and when? How does the British Medical Association view the role of migrant workers in meeting labour demand in the long-term?

4. Immigration is not only a short-term solution to domestic shortages. The history of the NHS proves the efficacy of migration as a long-term solution for a country that has an implicit policy not to graduate sufficient doctors to meet its healthcare needs.

5. In the past UK medical schools have not produced enough graduates to fill all medical staffing vacancies in the NHS, including training posts, hence the need to recruit migrant doctors. The government’s recently stated aim is for the NHS to become more self-sufficient. As a means of achieving this, medical school places have expanded and a number of new medical schools have been created meaning that reliance on migrant doctors will decrease.

6. As a result of the increase in UK medical graduates, there is now an oversupply of doctors seeking postgraduate training posts in the UK. There are still shortages in service grade and consultant posts. The Work Permits (UK) shortage occupations list\(^1\), issued on 23 July 2007, included salaried GPs and nearly 50 specialties at consultant level, including anaesthetics, dermatology, neurology, paediatrics, and trauma and orthopaedic surgery. The relevance of the shortage occupation list is that when employers apply for a work

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\(^1\) www.bia.homeoffice.gov.uk/6353/11406/49552/Shortage_List_23_July_20071.pdf
permit for a potential employee they do not need to satisfy the resident labour market test showing that there was no suitable resident worker before being granted a work permit.

7. The BMA believes that migrant workers will be required for some decades to come. The BMA’s workforce modelling suggests that over the period to 2030, the demand for doctors will be met with current planned medical school intake and levels of overall immigration into the training grades. This is dependant on the assumption that doctors in the training grades progress to consultant levels and GP posts, and have the flexibility to move between training and non-training SAS grade posts as required to stabilise demand and supply.

It has been reported that some British medical graduates have difficulties getting further training posts in the UK. How do you think this relates to immigration and the employment of migrant doctors in the UK?

8. The UK has a long history of using migrant staff, and particularly so in the medical workforce. It is estimated that a third of the NHS medical workforce are international medical graduates, ie they qualified outside the European Economic Area (EEA). Historically, this group of migrants has been welcomed to the UK and their valuable contributions have been recognised. Following the recent restructuring of medical training in the UK, it has become apparent that there are far more doctors (UK, EEA and migrant) wishing to undertake postgraduate training posts in the UK than there are posts available. Given the policy of open competition for medical training posts—a position that the BMA supports—this has resulted in some UK medical graduates being unable to secure run-through postgraduate training posts.

9. The BMA maintains that doctors subject to the immigration rules, who are currently in the UK, have a valid expectation to train or work in the NHS and should be treated equally with UK and EEA nationals and other resident workers. The BMA has repeatedly drawn attention to the government’s responsibility to highlight the decreasing opportunities available to international doctors prior to them coming to the UK. The recent change in immigration law has affected many doctors; it was appalling that the government “offered no opportunity for organisations representing affected doctors to communicate their views about the changes, and failed to comply with its duty to examine the race relations issues involved”, as stated in the High Court ruling on 9 February 2007.

10. The change in this law caused extensive confusion for doctors subject to the immigration rules applying through the Medical Training Application Service (MTAS) and, despite requests from the BMA, clear guidance for this group of applicants was not forthcoming until very late in the day. The guidance was open to interpretation by individual Postgraduate Deaneries. The current proposals to clarify Department of Health guidance, published on 8 October 2007, Modernising Medical Careers (MMC) England Recruitment to foundation and specialty training—Proposals for managing applications from medical graduates from outside the European Economic Area was given a 10 working day response time in consultation. This was unacceptably short; such compressed deadlines suggest that the Department of Health has not learnt from the experiences of the last two years.

11. Migration of doctors from the EEA has also contributed to the over-supply of medical professionals into postgraduate training posts, something which has not been accounted for or assessed in workforce planning. Migrant staff competing for training posts may have had more experience than UK trained junior doctors having worked in their country of origin before coming to the UK, and may therefore be recruited above UK medical graduates/trained doctors. Some international doctors target posts that are least attractive to UK doctors believing that this will increase their chances of successfully securing employment. Morale among doctors in training is also low following the failure of the application system in 2007 and the introduction of the new Modernising Medical Careers training system. This group believe that they have been given a commitment to be trained to consultant level and achieve their Certificate of Completion of Training (CCT).

12. BMA policy and a survey of its members supports the organisation’s position of a fair deal for international doctors and international medical students who qualify in the UK. 54.4% of respondents stated that international medical graduates should not be prevented from competing for training posts. This should be applicable only to those already working within the NHS. This position was also stated by the BMA in its response to the recent DH in discussion paper Modernising Medical Careers (MMC) England Recruitment to foundation and specialty training—Proposals for managing applications from medical graduates from outside the European Economic Area.

Since 3 April 2006, non-EEA or non-resident doctors are no longer eligible for the postgraduate doctor and dentist and trusts will need to apply for a work permit before employing such a candidate and demonstrate that there are no suitable resident workers to take up the post in their stead.
13. The BMA does not believe that the immigration of qualified doctors should be stemmed. For doctors considering future migration to the UK, the government must ensure that information about the true situation of medical employment in the UK must be disseminated as widely as possible. The government must additionally be mindful of the potential consequences should the UK once again require the services of overseas doctors to staff the NHS in the future. Alienating this group will not encourage them to migrate here in the future, which the BMA anticipates will be necessary.

Reform of the UK immigration system is making it more difficult for employers in the health and care sectors to recruit workers from outside the EU. How far do you think it will be possible to meet demand for migrant labour in your respective sectors with workers from within the enlarged EU?

14. In addition to benefiting from free movement between member states in relation to taking up employment, EEA qualified doctors have a more straightforward route to registration than doctors who have graduated outside the EEA. Under Directive 2005/36/EC on the Recognition of Professional Qualifications doctors are entitled to full registration in any EEA member state if they fulfill both of the following criteria:

— they are citizens of an EEA member state; and
— they have completed primary medical training in an EEA member state and hold a recognised qualification.

15. There are restrictions in place on Bulgarian and Romanian nationals which can restrict their right to take up employment. The General Medical Council (GMC), which registers doctors, is treating doctors who have graduated from medical school in Bulgaria or Romania, differently by not granting them automatic recognition whilst the GMC awaits further detailed information from the appropriate authorities in these countries.

16. It is difficult to anticipate the future demand for doctors; this is acknowledged in the Department of Health’s admission that workforce planning has been poor to date and exact training numbers are not known. As of 2005, the number of specialist registrars (those nearing the end of training) was 18,000, with an additional 26,000 in lower training grades. These numbers include over 18,000 doctors who gained their qualification outside of the EEA. As previously stated, the BMA’s workforce modelling suggests that over the period to 2030, the demand for doctors into training posts will be met by a combination of the current planned medical intake and levels of overall immigration.

17. Some doctors undertake postgraduate medical training outside the formal training grades in the UK and return to their country of origin. If this practice continues it would mean that the NHS would still be reliant on medical staff from outside the EEA at more senior levels.

18. It is important to consider the position of refugee doctors in relation to meeting workforce needs. This group of ready trained professionals are already in the UK and should be given every opportunity to practise their profession in the country that has granted them asylum. Not doing so would result in them being left to deskill. Many refugee doctors have successfully secured employment in the NHS. Supporting this group to resume their careers in the UK would reduce, but not eliminate, the NHS’ reliance on migrant workers.

What, if any, changes to UK immigration policy would you like to see?

19. The BMA recommends the following policy changes:

— The BMA supports a policy of self-sufficiency and is encouraged that the Department of Health’s aim is for the NHS to become more self-sufficient and less dependant on the migration of healthcare professionals from outside the EEA. It is now moving in this direction for medical personnel.

— Effective workforce planning is needed, where workforce patterns are based on need and not artificially restricted on the grounds of affordability. It is also essential to take into account current and planned medical school intake, coupled with future migration and immigration.

— The BMA recognises the extremely valuable contribution that migrant workers make to the NHS medical workforce and would welcome government policy acknowledging the same.

— The BMA calls for the government to clarify its immigration policy. The immigration rules for postgraduate doctors in training were amended in April 2006 with serious consequences for many migrant doctors. Since this time there has been a lack of clarity about how doctors in certain immigration categories, including the Highly Skilled Migrant Programme, should be considered during recruitment processes. It is vital that absolute clarity of the employment and immigration rules and how they affect migrant doctors is provided as soon as possible and is disseminated widely.
According to an estimate by the World Health Organisation there is currently a global shortage of approximately 4.3 million health workers. Developing countries are among the most affected. In 2005, the BMA called for collaboration between developed and developing nations to address this crisis. In 2005 the BMA organised an international conference on the global health workforce. This resulted in a call to action on the healthcare skills drain which is included in Appendix 2. The government, in recognising that individuals have the right to migrate, must balance this right with the rights of home country populations to have access to healthcare professionals. We therefore welcome recommendations 11, 12 and 13 made by Lord Crisp in his report, “Global Health Partnerships: the UK contribution to health in developing countries” and we urge the Government to implement them. The recommendations are included in Appendix 3.

— It is essential that for any future changes of government policy which will affect migrant doctors there is adequate time for consultation of all appropriate parties.

What are your views on the new points-based system for managing migration to the UK?

20. The National Health Service (NHS) has a multi-national workforce and there are many doctors working in the UK who are subject to the immigration rules. In July 2005 the Home Office issued a consultation Selective Admission: Making migration work for Britain which introduced the concept of a points-based immigration system for the first time. The BMA submitted a detailed response (see Appendix 4).

21. Responses to this consultation formed the detailed command paper for a points-based system which was published in March 2006 as A points-based system: Making migration work for Britain. This document sought to simplify the existing system of over 80 routes of entry into the UK by proposing a new five-tier system of immigration.

22. The BMA, in its response to the 2005 consultation document, did not support a managed migration system which focused primarily on economic benefits to the UK. Rather it recognised the multi-national workforce from which the NHS benefits, including the teaching and training delivered by international doctors. It stated that whilst the government must ensure that it complies with ethical recruitment policies, it must also recognise that some doctors from developing countries wish to come to the UK for specific training and then return to their home country to put these skills into practice. The BMA recognises the importance of this, and in particular, of doctors receiving training in specialties/procedures that are not available in their home countries. We recognise that a balance is needed between the excellent service migrant doctors provide to the NHS, ensuring fair and equal opportunities in the NHS and the long-term effects on damage to healthcare services in the developing world.

23. As regards the points-based system, on the whole the BMA welcomed the simplification of the immigration system, but urged the need for joined-up government thinking when implementing any new system, in order to ensure that the unique nature of the postgraduate medical training system is fully considered when introducing any new immigration categories that will affect the medical workforce.

24. Doctors will fall primarily within Tiers 1 and 2 of the new points-based system. Tier 1 is set to be introduced in the first quarter of 2008. We urge the Home Office to take into account the need for a period of transition, with a specific date from which only the new system would be in operation, and widespread advance publicity about the changing system to ensure individuals are adequately informed. This is even more important given the past 18 months and the changes that have been made to the immigration rules, which have had serious consequences for doctors in training in the UK, and led to extreme confusion and discontent.

25. The BMA calls for doctors already in the UK with a valid expectation to train or work in the NHS to be treated on an equal footing with UK and EEA nationals.

November 2007

Memorandum by the Royal College of Nursing

1.0 Background

1.1 The Royal College of Nursing (RCN) welcomes the opportunity to provide written evidence to the Committee. The impact of immigration with respect to the provision of healthcare services in the UK is very important. The RCN is well placed to comment on the workforce implications and significant contribution of internationally recruited nurses specifically questions 1, 2 and 12. The RCN is not well equipped to determine with a high degree of accuracy the impact of immigration on the use of health care services.
2.0 About the RCN

2.1 With a membership of almost 400,000 registered nurses, midwives, health visitors, nursing students, health care assistants and nurse cadets, the RCN is the voice of nursing across the UK and the largest professional union of nursing staff in the world. RCN members work in a variety of hospital and community settings in the NHS and the independent sector. The RCN promotes patient and nursing interests on a wide range of issues by working closely with the Government, the UK parliaments and other national and European political institutions, trade unions, professional bodies and voluntary organisations.

3.0 What are the numbers and characteristics of recent immigrants? What are the expected future trends?

3.1 Looking specifically at immigration in relation to the nursing workforce in the UK. Between 1997 and 2005, the NHS registered nurse workforce expanded by 23% across the UK. This was achieved through a combination of increased nurse training, international recruits and more temporary staff. International recruitment has made a significant contribution to meeting nurse staffing growth targets in the UK—since 1997 more than 90,000 international nurses have registered in the UK (around 45% of all new entrants to the UK register).4

3.2 The Nursing and Midwifery Council (NMC) UK register shows that in terms of admissions in the year to 31 March 2006 there were 1,753 new registrants from the European Economic Area (including 764 admissions from EU accession countries). The major source of non-UK trained nurses, however, is from outside of the European Economic Area with the majority of admissions coming from the Philippines, Australia, India and South Africa. The total admission for these “Overseas” trained nurses (IRNs) for the year ending 31 March 2006 was 8,709.5

3.3 The particular challenge for nurses trained in European accession countries is that their training is not always deemed to be sufficient to meet registration requirements within the UK. This does not necessarily stop these nurses working in the UK, as many may take on Senior Carer (non-registered) roles such as in care homes. As this workforce is not required to register with a professional body, there is no comprehensive data on the impact that migration may have on this element of the labour market.

3.4 In terms of the migrant labour market, the “Holding On” survey found that IRN respondents are more likely than UK qualified nurses to hold degrees (36%) and are less likely to have no academic qualification.6 Research also indicates that nurses who qualified and first registered overseas are younger than their colleagues who first registered in the UK, with an average age of 37 compared to 42 years.7

3.5 The “Holding On” survey also indicates that larger proportions of IRNs consider their pay to be inappropriate to their role and responsibilities. Though there is a higher proportion of IRNs (21%) who say they do not know whether or not their grade is appropriate or not, compared to just 6% of white UK qualified nurses.

3.6 IRN respondents are also more likely to work full-time (97%). In contrast 59% of UK qualified white respondents work full-time and 80% of UK qualified BME. The total average hours worked by IRNs is 47.7 hours, while UK BME nurses work on average 46.6 hours and UK trained white nurses work 42.9 hours on average.

3.7 The removal of Band 5 and 6 from the UK work permits shortage list

3.7.1 In terms of future trends the majority of IRNs especially those who are black and ethnic minorities are found in jobs equivalent to Bands 5 (covers newly qualified nurses and staff nurses) and 6 (covers Clinical nurse specialists and team leaders) on the NHS pay scales.8 Given the removal of Bands 5 and 6 from the UK work permits shortage list 2006, we would now expect the 3.7.2 pattern of NMC registrations to change, with a drop in “overseas” nurse admissions. It is, however, unclear as to whether the loss of these nurses will be replaced by an increase in nurses from the EEA.

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5 The Nursing and Midwifery Council, Statistical analysis of the register 1 April 2005 to 31 March 2006
3.8 Challenge of outward migration

3.8.1 The NMC register not only shows the inflow of nurses into the UK, but it also shows the “outflow” of nurses from the UK to other countries, as measured by NMC verifications, has risen in recent years. The UK “loses” nurses to Australia, New Zealand, Canada, the USA and Ireland. In 2005–06 the NMC provided verifications for 7,800 nurses looking to work outside of the UK. There is an impending global nursing shortage and the likelihood is that there will be an increased trend towards outward migration of nurses from the UK.

3.8.2 In addition to this “outflow”, the nurse labour market, also, is being affected by the increase in nurses taking retirement—180,000 nurses are likely to retire some time over the next ten years. The Nurse labour market within the UK is ageing steadily in 1995 the average age of nurses responding to the survey was 37 in 2007 it is 42. The RCN survey “Holding On” also shows that there is a higher age profile in community nursing and nurses working in care homes.

4.0 In what sectors and occupations are immigrants employed? How do migrant’s labour market outcomes compare to those of local workers?

4.1 In terms of the nursing workforce there are clear divisions in relation to migrant workers and UK trained nurses in terms of qualifications and pay. The RCN’s “Holding On” survey shows that IRNs are making a significant contribution to the Care Homes sector with 25% of Care Home respondents coming from overseas (a higher proportion than any other employer group). While the results from the 2007 survey of Independent Sector nurses indicates that IRNs working in the Independent Sector (especially in care homes) are more likely to hold a degree or diploma than UK qualified nurses working in the Independent Sector.9

4.2 We also know from RCN surveys that Independent Care Homes traditionally pay staff on lower grades compared with all other employers. Data available in the surveys show that there has been a downward shift in the grades at which care-home staff are paid, with a larger proportion of respondents in this sector being paid on lower grades. For example, in the current Report on Independent Sector Nurses, 50% of care home respondents stated that they were paid on a clinical grade equivalent to Grade D (the basic grade for a registered nurse—equivalent to a Band 5 in the NHS pay system). In 2005 this figure was 38% and in 2001 it was 25%. This would seem to represent a marked shift in grading. Among the IRNs who gave a clinical grade, 84% are employed on Grade D compared with 31% of UK qualified nurses.

4.3 During this same period, in the Independent Sector, there has also been a significant increase in the proportion of nurses working full-time; from 55% in 2001, to 64% in 2005, and 68% in 2007. In Care Homes there has been a more significant shift with 77% working full-time in 2007 compared with 63% in 2001.

4.4 This increase in numbers of Independent Sector nurses working full-time has been primarily linked to the increased number of IRNs working in the sector, the majority of whom are working full-time. Almost two-thirds (65%) of IRNs in the Independent Sector worked more than their contracted hours in their last full working week.

4.5 The report “Black and minority ethnic and internationally recruited nurses” does indicate differences between BME IRNs and White IRNs. BME IRNs are much more concentrated in the lower grades (64% compared with 36%); are more likely to work full-time (90% compared with 81%), and are more likely to work internal rotation (61% compared with 48%) and permanent nights (13% compared with 0%). BME IRNs are also much less likely than white IRNs to be given continuing professional development (CPD).

4.6 Despite more IRNs working full-time and for longer hours, more also have second jobs (26% compared with 19% of UK qualified nurses). Taking all work into account full-time IRNs on average work a total of 52 hours per week compared with 45 hours amongst UK qualified nurses.

5.0 Does immigration fill skills gaps? What is the relationship between government migration policies and labour market policies?

5.1 One of the reasons that active international recruitment has been so attractive to policy makers in the UK is that it offers the possibility of a “quick fix”—the nurses are trained elsewhere at someone else’s expense, and can be recruited and working in the UK within a few months, not the four years it would take to commission and train a UK educated nurse. The rapid nature of the policy response can work both ways, if and when funded demand for nurses in the UK falters or reduces, the numbers of international recruits can also be reduced, virtually overnight.

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5.2 Indeed, international “inflow” is now reducing markedly as a result of NHS funding difficulties and the removal of band 5 and 6 nursing posts from the work permits national shortage occupation list.

5.3 One of the RCN’s concerns in relation to the removal of Band 5 and Band 6 nursing posts from the Work Permits UK shortage list, is that employers can only recruit overseas nurses into nursing posts at Band 5 and 6 if they can show there are no suitable UK or EU applicants. Given that most of the UK’s international nurses come from outside the EU this impacts a significant minority of the workforce and is likely to have a disproportionate impact on the Care Homes sector.

5.4 The RCN has criticised the decision to remove Bands 5 and 6 approach from a workforce planning perspective, as it was not based on detailed evidence of future staffing requirements. The RCN is concerned that it may become difficult for internationally recruited nurses already in the country to renew their visas, although Work Permits UK has assured us that providing there is no change in the Band, the new arrangements should not restrict renewal. We would also not want the policy to act as a deterrent to employers to invest in training and development for these nurses or to block their career development. Further to this, however, the RCN is concerned that it may become difficult for internationally recruited nurses already in the country to renew their visas, although Work Permits UK has assured us that providing there is no change in the Band, the new arrangements should not restrict renewal. We would also not want the policy to act as a deterrent to employers to invest in training and development for these nurses or to block their career development. Further to this, however, the RCN is concerned that it may become difficult for internationally recruited nurses already in the country to renew their visas, although Work Permits UK has assured us that providing there is no change in the Band, the new arrangements should not restrict renewal. We would also not want the policy to act as a deterrent to employers to invest in training and development for these nurses or to block their career development. Further to this, however, the RCN is concerned that it may become difficult for internationally recruited nurses already in the country to renew their visas, although Work Permits UK has assured us that providing there is no change in the Band, the new arrangements should not restrict renewal. We would also not want the policy to act as a deterrent to employers to invest in training and development for these nurses or to block their career development.

5.5 When asked about staffing levels and workloads there are some significant differences between IRNs working in the independent sector and UK qualified nurses. For example, 65% of IRNs say that their workload is too heavy compared with 42% of UK qualified nurses, 59% of IRNs say they feel under too much pressure at work compared with 41% of UK qualified nurses.

5.6 Given the research findings, which have been described in this paper, it may not be surprising to find that twice as many IRNs (40%) are seeking a change of work as UK qualified nurses (20%) and most are wanting to move to the NHS (67%) compared with 44% of UK qualified nurses.

6.0 RCN recommendations on migration

— Targeting IRNs can only be a short-term solution to domestic shortages, but decisions on limiting migration should only be made with comprehensive workforce information.
— Large scale recruitment requires agreement on how to manage the process between the UK, the source country and the professional nursing association of the source country without prejudice to the health care systems of any countries.
— That employment of IRNs should be on the same basis as those staff trained in the UK. They should have access to the same pay, terms and conditions and a decent and healthy working environment as those trained in the host country.
— That there is fair and transparent contracting. Workers and employers need to be protected from false information, misleading claims and exploitation.
— That employers only sign up to recruitment agencies, which are committed to ethical treatment of workers.
— That systems and resources are put in place to recruit, induct, and support suitably qualified nurses with good language skills.
— That they should also have freedom of association—all workers should have the right to affiliate to a trade union and/or a professional association in order to safeguard their rights as workers and professionals.

18 November 2007
Examination of Witnesses

Witnesses: Dr Edwin Borman, British Medical Association, Ms Josie Irwin, Royal College of Nursing, Ms Lesley Rimmer and Mr Colin Angel, United Kingdom Homecare Association, examined.

Q294 Chairman: Good afternoon and thank you very much for coming along to help us a great deal with our inquiry. We have quite a lot to get through this afternoon but I am always told to ask you at the beginning to please speak up and speak slowly so we get an accurate account of what you are saying. Do you want to go straight into the questions or do you want to say anything to start the ball rolling? Well done; straight to questions. Which occupations in your sector have the highest shares of migrants and why? To what extent do you think the employment of migrants is a reflection of pressures to minimise labour costs? Is there a difference in this context between privately and publicly funded health care jobs?

Ms Irwin: As the Royal College of Nursing said in our written evidence, some 90,000 internationally recruited nurses were registered in the UK between 1997 and 2005. A substantial proportion of those nurses work in the independent sector in care homes. About 45% of all nursing registrants to the UK registered between 1997 and 2005 were from overseas and the findings in one of our own surveys called Holding On, which we have cited in the evidence, indicates that 25% of nurses working in care homes come from overseas. So, for the whole of the nursing workforce in the UK, which is just over 600,000, some 90,000 are internationally recruited nurses, which is crudely about a sixth of the nursing workforce in the UK. The second part of the question was about a reflection of pressures to minimise labour costs. In the independent sector, in care homes, we see a much more direct relationship between costs and the employment of internationally recruited nurses. I should say that the majority of internationally recruited nurses are employed on the lowest of the nursing scales, which is known in the jargon as a band five, which in old terms is a staff nurse grade. In the independent sector, because we know there are acute pressures on nursing care homes, the pressure is on labour costs so nurses are paid less and they tend to work longer hours in the independent sector too. The third part of the question was whether there is a difference in this context between privately and public funded healthcare jobs. Across the whole of the healthcare sector internationally recruited nurses tend to be paid less as a consequence of the funding pressures but there is a specific difficulty in the independent care sector and care homes. I should say also, my final point, in general terms, the employment of migrants is a deliberate policy choice to employ a workforce at a lower cost.

Q295 Chairman: So they could get people if they wanted to, but not at the same cost? Is that what you are saying:

Ms Irwin: Yes.

Q296 Lord Sheldon: The Royal College of Nursing suggests that immigration is a short-term solution to domestic shortages. What is the long-term solution? What do you consider is the role of migrant workers in meeting labour demand over a lengthy period?

Ms Irwin: Again, as our evidence shows, the NHS in particular could not have delivered what it has managed to deliver in the last ten years without there being supplies of internationally recruited nurses. They would not have been able to work without the 90,000 that came to the Health Service between 1997 and 2005. We have described it as a short-term solution because, in the longer term, we know that the nursing workforce is a global workforce. There are acute pressures on the nursing workforce, for example, in the US right now and what we are beginning to see is a shift in the proportions of nurses registering from overseas and the proportion of nurses going out of the UK. Last year there were some 10,000 nurses who joined from overseas, roughly 7,900 from countries like South Africa, from India and from the Philippines, just over 1,000 from the European Union; that proportion coming into the country but 8,000 going out, some of whom were Filipino nurses, for example, who had come from the Philippines during that ten-year period now seeking other employment opportunities in the US. We are seeing a shift, therefore the continued recruitment of internationally recruited nurses in the short term becomes more of a difficult option and for the longer term what we would like to see is more focus on workforce planning. In evidence that we have given on workforce planning to the Commons Select Committee on Health we have emphasized the importance of proper workforce planning and, of course, the economic argument, if nurses were paid a fair salary, then that clearly would have an economic impact in attracting domestic trained nurses to join the workforce.

Q297 Lord Sheldon: Are migrant workers as effective as workers who are in this country?

Ms Irwin: Many of the migrant nurses, in particular from the Philippines—and I am sure colleagues will want to say something about other professions—and India are degree-educated compared with the UK nursing workforce where a substantial proportion are diploma-educated, so in terms of academic qualifications they have a high qualification. There is no difference whatsoever in terms of the level of service that is provided by a nurse trained overseas and a nurse trained domestically.
**Q298 Lord Turner of Ecchinswell:** I just wanted to ask one follow-up. You said that over the last ten years internationally recruited nurses or other medical professions have been essential.

**Ms Irwin:** Yes.

**Q299 Lord Turner of Ecchinswell:** Was there a different set of policies which might have made them not essential? What could have happened 10 or 15 years ago and were they doable things? Was there something inherent about this or was it just we did not do the policies 10 or 15 years ago that could have enabled native supply to meet demand?

**Ms Irwin:** Two things which would have impact on supply: one is for the government of the day to have provided more training places in colleges, in universities, so that there was a greater supply of nursing staff coming through. The second was to make nursing a more attractive profession, either in terms of economic benefit, in terms of salary crudely, or in terms of the working conditions and the working environment and addressing issues to do with morale and motivation.

**Q300 Chairman:** I just wonder whether the BMA and Home Care could both give us their view on these issues.

**Dr Borman:** There are some differences which are significant between our nursing colleagues and ourselves in the medical profession. With regard to question one, it is important to lay out one fundamental difference which is that the vast majority of doctors working in the National Health Service are employed on national terms and conditions of service, which means that the direct financial incentive of recruitment and the economic argument in terms of salaries do not apply. What does apply, however, in terms of NHS or UK PLC is that these migrants are carrying their primary qualifications and their expertise to the United Kingdom effectively for free. It costs in the order of—these are BMA figures—a quarter of a million pounds to qualify a doctor within the United Kingdom medical school system and, clearly, having a doctor who has qualified abroad, bringing those qualifications means a net gain to the United Kingdom. Another significant difference is with regard to question two where the history of the National Health Service effectively describes a model of reliance on migration. It is very readily arguable that the United Kingdom never has qualified sufficient doctors from its own medical schools to fulfill domestic need and has relied for at least 50 years on migrants coming from abroad and bringing those skills with them. I would argue that the fact we now have 38% of registered doctors in the United Kingdom who have a primary qualification from abroad is a clear indication of an implicit policy of reliance on doctors who have migrated. In terms of the long-term issue and question two, I would suggest that there is a very ready answer that yes, it is possible to rely on that. Of course, the question that would then follow is: is that the correct thing to be doing?

**Ms Rimmer:** I should like to start by saying that there is totally inadequate evidence on the use of migrant workers in social care. The UKHCA represents independent sector providers of domiciliary care services, providing care to people in their own homes. The National Minimum Dataset (NMDS), produced by Skills for Care, does not cover the area of migrant workers and, as far as we understand it, has no plans to do so. Therefore, to assist the Committee, we undertook a very—if you will excuse the phrase—quick and dirty survey of our members to try to glean some evidence. We had 127 responses, which was a 10% response rate, and found out that overall 20% of the workforce is made up of migrant workers with significant variations: 40% in London, 15.6% outside London. To the question about whether it is a reflection of pressures on labour costs, the answer is frankly yes. The main pressure is to meet the demand for care services which exceeds supply. But there are huge downward pressures on prices from the main purchasers, the local authorities, seeking efficiency savings to meet their own budgetary targets and to maximise the care they provide from their budgets. This is reflected in the low level of pay for care staff. Our survey shows that 79% of providers report a shortage of willing workers from the local population and 61% a shortage of skilled workers with the appropriate skills. Two thirds of employers say it is difficult or impossible to recruit locally at current pay rates and these pay rates are primarily a reflection of what councils are willing to pay since they make up 80% of the purchasers of care services. You asked us about whether this is a long-term or short-term issue. We would say that the long-term solution lies in better pay and conditions for social care workers, resulting from a rise in the status of social care as an occupation and recognition of the skills that it involves in caring for increasingly frail, highly dependent people in their own homes. Given the demographic pressures of which we are all aware, the existing unmet need, along with increasing private purchase, we believe there will be a long-term need for migrant workers in this sector if capacity is to keep pace with demand.

**Q301 Lord Paul:** A significant number of UK-trained nurses go abroad to work. What is the reason for that and how does it relate to the migrant nurses who come to work here?
Ms Irwin: I said in one of my earlier comments that we are beginning to see a shift in the balance between the number of nurses coming into the UK from other countries and the number of nurses leaving the country. Unfortunately, there is not a huge amount of data around which actually assesses the reasons for nurses wanting to work in countries other than the UK. Nurses migrate for a variety of reasons. What we do have in the form of the RCN’s own employment survey, which is something which is referenced in our written evidence, a survey that we have been carrying out for some 21 years, is a vast amount of data on how nurses feel about their employment currently. What we know from that is that a lot of nurses want to have a better work/life balance, better prospects, pay and promotions, and all those are drivers for them to seek employment in, particularly now, the United States or Australia, which are popular destinations for both UK-trained nurses and nurses who had come to work in the UK from India and from the Philippines. One of the statistics which was quite interesting from the survey that we carried out this year, 2007, was that 55% of the people that we surveyed felt that they were too busy; their workload had increased to such an extent that they no longer felt they were able to deliver the standard of care that they felt professionally they would wish to. That is another driver. That is different from the driver on nurses, the push factor for nurses to seek employment in the UK from the Philippines, from India and from South Africa. I cite those countries in particular because they are the biggest contributors to the nursing workforce in the UK.

Q302 Lord Turner of Ecchinswell: My question is probably for Dr Borman. There was a lot of reporting earlier this year about British medical students, on whom we had spent a quarter of a million pounds each presumably by your figures, having difficulty getting training posts in the UK. Is there any relationship between this and the issue of migrant doctors coming in or should we see this as a separate issue? How would you think about the inter-relationship with this? If it is the case that we are expensively training these people but they are not getting jobs while we are filling jobs with migrant doctors, why is that disconnect occurring?

Dr Borman: I personally believe that what occurred in the last 18 months is pretty much without precedent in terms of catastrophes for the medical career and staffing structure. I would suggest that there are three key factors that are involved. The first one is an utter failure of an effective medical planning structure. The second is the rules on immigration that applied prior to April 2006, the implementation of the new rules in April 2006 and how those rules were implemented. The third is the decision, at the same time as these events were occurring, to introduce a wholly new and virtually untested computer-based appointment system. The combination of these three factors has generated a catastrophe that literally has unfolded in slow motion despite repeated warnings from the British Medical Association. It has damaged the morale of doctors in training; it has destroyed, at a very early stage, career development. It has caused staffing problems that have been enormous and has damaged the UK’s reputation with regard to being a preferred destination for migrants. The reasons for this, if I could explore each of those three generating factors, are that there has not been an effective staffing planning system for approximately ten years. I served on a national manpower panel when I was the leader of the junior doctors in this country and the Government at the time decided soon after that to scrap that and devolve this to a regional level. It has not been effective since then. What that has meant is that we have been progressively increasing the number of UK graduates, for good reason, but at the same time finding that graduates coming from within the EU and EEA have also increased and there has been an unchecked immigration of doctors from outside the EU and EEA which has led to an excess, in terms of the training posts available—and figures vary quite considerably—of between 11,000 and 18,000. The problems that we experienced this year have been profound. It is likely that they will be replicated with even greater consequence next year because those medical staffing problems have not yet adequately been addressed. On top of that, add the problems of the manner in which the new immigration rules for doctors in training were introduced without adequate consultation, without adequate notification and without clear guidance once they had been introduced, meaning that there was a generation of doctors who had come from abroad, who had no idea what their career prospects were going to be in the United Kingdom. A legal challenge and an appeal have been required in order to develop some degree of clarity on that matter. On top of that, add an untested computer system which, by many of my senior colleagues’ accounts, did not adequately provide a mechanism for choosing the best person for the job in terms of their clinical abilities but rather the person who could fill the form in to the specifications required and you truly have a catastrophe that I believe is without precedent in the medical staffing structure of this country.

Q303 Lord Turner of Ecchinswell: If I could just declare an interest as someone whose daughter has just gone to medical school, I very much hope these problems are sorted out within the next five years. May I also just ask one ancillary question to that? If
we had had a better system, if we had not made these mistakes, would we now have more UK-trained doctors in staff and fewer migrant doctors? Would that be the net effect, if we had not made these errors?

**Dr Borman:** A decision was made six years ago, if memory serves me, to increase the number of graduates from UK medical schools and correctly so. The first paper that I recall reading on this was in 1991 when, at a pan-European level, it was recognised that Europe was moving from a relative surplus of doctors to a relative deficit. The BMA started to lobby the Government to increase the number of UK graduates. There are other reasons. Ethically, it is appropriate that the UK becomes more self-sufficient in graduates and, to the Government’s credit, albeit rather late, five or six years ago, medical school places were increased and these were funded. The difficulty is that we did not have concurrent with this a review of the projected manpower needs for the United Kingdom and we did not address the immigration issue at that point, which has meant that five or six years down the line, that is now, we have a major problem.

**Q304 Lord Griffiths of Fforestfach:** May I just come back to the second point you mentioned, that from now on it is going to be more difficult for employers in the Health Service to recruit from outside the European Union? If that is so, what is your opinion as to the likelihood of meeting demand from within the EU?

**Ms Irwin:** The difficulty that presents itself for the nursing profession is that band five, newly registered nurses, and band six, specialist nurses, have been removed from the skills shortage register. Just as my colleague from the BMA has said, the decision was taken somewhat in the absence of a UK-wide approach to workforce planning. So the whole of the focus is on the needs of the NHS and the independent sector, which employs a significant number of nurses and is likely to employ more if the Government’s current approach to plurality continues, was ignored, which means that it is more difficult to recruit from outside the EU. What the figures tell us, in terms of the attractiveness of the UK to EU nurses, is that there is a significant difference between the attractiveness of the UK to internationally recruited nurses, for example from India or the Philippines, and those from the EU. Between 2005 and 2006, 1,700 and something nurses were recruited from the EU compared with over 8,000 from countries outside of the EU. There is substantial ground to make up, particularly if the tendency for UK-trained and nurses who have trained outside of the UK and have come to the UK to work, if that trend to work outside the UK continues. So we have significant concerns that that supply need is not going to be anything near made up by nurses from within the EU.

**Dr Borman:** In the medical profession the British Medical Association anticipates from our modelling that there will be a relative shortage of doctors up until approximately 2030. Of course, manpower modelling becomes much less predictable the further away you are from our index point, but there is reasonable cause on which to judge these figures. There is a global shortage of healthcare workers of approximately 4.3 million currently and we are expecting that with further developments in healthcare, that shortage, if anything, is likely to be extended. Within the UK we have seen a small step increase of graduates from within the EEA coming to the United Kingdom. Medicine is fortunate in that English is effectively the international language of our profession, which means that graduates more readily are able to come to the United Kingdom. Other than for Bulgaria and Romania, EC Directive 2005/36 will apply, meaning that mutual recognition of qualifications is readily available to the professional and registration is easy. It is difficult to see that reliance on EEA migration will be the sole means of ensuring that we achieve the figures that we need in the United Kingdom. I would suggest that there are many good reasons why we in addition should not rely on the EEA as the sole means. There are very definite advantages to migration by our colleagues from outside the EEA. The development of links with developing countries, the recognition that in a globalised world illness is globalised and healthcare needs to be and the recognition that developed countries have the potential to give back to developing countries are other reasons why we need to look at migration and manpower numbers in more ways than simply the figures and the economic benefits.

**Mr Angel:** We have already commented on the lack of evidence available in the social care sector. From the survey that we conducted for today’s evidence, it is quite clear that home care providers are recruiting from an international population, rather than favouring any one country. There is a slight preference towards the accessions countries of the European Union, closely followed by Africa. What we do see probably reflects the fact that the majority of the recruitment being done at the moment is recruiting people who are already in this country. That means that, unless the number of migrant workers entering from the European Union were to increase, we would have difficulty maintaining the capacity that we do at present, if other areas were to reduce. We have no data on how the widening of the EU will act long term. We can be fairly sure that in the home care sector people will consider more active forms of recruitment, going out of the UK to
find candidates and bring them back to the UK will increase and providers will get more skilled at doing this; it is very much in its infancy in home care. In its favour, the European Union is probably the most economically effective location to recruit from, both in terms of the travel time and cost of bringing candidates into the country. We also know that when international recruitment has happened previously, recruiting tends to come to areas where other people from their home country have come first and they know that they have been treated well.

Q305 Lord MacGregor of Pulham Market: I should like to turn away from employment of migrants in the Health Service to a different aspect in relation to immigration and that is how recent immigration has affected the use of health services in your sectors. Are there any health service sectors that have experienced particularly large increases in case load because of recent immigration? Are there regional differences and if so, what?

Ms Irwin: Unfortunately, we are not able to comment on this question. We do not have any evidence that we are able to provide.

Q306 Lord Griffiths of Fforestfach: I used to live in North London and one certainly reads in the press that there are individual hospitals which would seem to be inundated. This may be very localised, but to say you cannot comment at all surprises me.

Ms Irwin: The reason for saying that we cannot comment is that we can provide generalisations or anecdotal evidence based on individual experience, just as you have, but what we do not have is any full, researched evidence to offer and obviously that is something that we would prefer to do.

Q307 Lord MacGregor of Pulham Market: Do you anecdotally get any feeling that there are differences between regions, for example, areas like London and other big cities?

Ms Irwin: Our members would tell us that there are particular difficulties in inner cities, which is to be expected.

Dr Borman: I regret that the British Medical Association does not have a dataset which would allow me authoritatively to answer that question. However, anticipating that you may, as Lord Griffiths of Fforestfach has just done, try to push me on that, I would perhaps give an analogy of an editorial that I have had published on the issue of health tourism. There I was very concerned by media reports about migrants coming to the UK specifically for health care. When I looked to see what evidence there was for that phenomenon I was horrified to find that there was no-one collecting that evidence, that it was based on anecdote and, with quite some furore at the time, given that this was picked up on by the media during, I suppose, a relatively quiet period, I did challenge the Government to collect the necessary information. I would suggest that this is information that should be collected but I regret the BMA is not able to help with that.

Q308 Chairman: I suppose you could ask the question two ways: why do you not collect it? Do you not think it is something you should collect?

Ms Irwin: I do think it is something that is of clear interest to both the clients and patients and our own members in terms of the skill sets that are required. However, the recent large increase in migrant workers coming to the UK is something which is so recent that it is a piece of research that we have not yet embarked upon. It is obviously an area of clear interest to the Royal College of Nursing.

Q309 Chairman: Do you give the same answer from the BMA?

Dr Borman: If I could smilingly challenge my own suggestion that the Government should collect these figures, I have to be fair and recognise that it would pose considerable difficulty. One would need to look at registrations with general practitioners based on nationality and there are very good reasons why people will not allow that information to be provided. One may need to look at provision within the hospital sector but, to my knowledge, no-one will be specifically collecting that information for patients who are clearly entitled to healthcare—they are EU/EEA citizens—and where that information would not accurately be able to be analysed. We are having some difficulties with information technology systems within the NHS and I suspect it will require some time before we would be able to have this degree of sophisticated information.

Q310 Chairman: I wonder whether the Home Care people would like to go back to Lord McGregor of Pulham Market's original question and comment on it.

Mr Angel: Like our colleagues in other sectors we have begun to draw attention to the lack of information available. David Behan, Director General of Social Care, described the social care sector recently as being a “data desert”. In relation to whether we should be collecting the information, the last information funded within the independent home care sector was in 2004; there has been nothing that we have been able to tap into since then. In terms of the effect of migrant populations on home care services, we are in a slightly different position. The majority of people who use home-based services are older people and the migrant populations that are
currently in the country have not reached that age (that is 65 plus) where the effect is felt. 

**Chairman:** That is a very convincing answer.

**Q311 Lord MacGregor of Pulham Market:** I understand that. Does that mean, therefore, that actually you suspect, in terms of the general reactions that you get from your own members, this is not a big issue among your members? 

**Ms Rimmer:** Not in terms of provision of care services or the utilisation of care services. In terms of capacity, clearly that is the issue we have been stressing, the importance of the workers.

**Q312 Lord Best:** I should like to stay with UK Home Care, the social care side. I declare an interest in that I chair an organisation that provides housing and care to 19,000 older people. In terms of the change in the composition and nationality of the people who are providing social care today compared with yesteryear—and this is a qualitative question for you, you do not need to have a survey to answer it—do you think that there is a difference in the social care workers of today in terms of their skills, their qualifications, their attitudes, their understanding of the role that they are playing that means that we are either better off or worse off in terms now of the care provision that we are providing at the social care level? With the medical profession we have international standards and doctors are the same the world over; not so with social care. Is there a difference in the quality of care provided now that we are so dependent, my organisation is utterly dependent, on people from other countries providing the social care? 

**Mr Angel:** In the home care sector we are not today doing the job of the old-fashioned home help which might, 10 years ago, have been the model that people would have thought of. The expectations on workers are increasingly high. Many of the roles previously held by community nurses are now being delivered by domiciliary care workers. It is very difficult therefore to do a comparison to see whether we are better or worse off. We are certainly doing something a lot more sophisticated than we would have been doing a decade ago. 

**Ms Rimmer:** And the level of dependency of the population being looked after at home, has increased enormously, and that is something that the general perception has simply failed to come to terms with. Indeed, if government plans for greater utilisation of individual budgets and direct payments and promoting independence go forward, as one expects they will, then that increased level of dependency is likely to get greater. The utilisation of telecare services at home is going to get greater. It is going to be a much more demanding, almost quasi-nursing in many instances, setup in social care.

**Q313 Lord Best:** And has that increase in the requirement for higher skills today than yesteryear been fulfilled by the immigrant workforce that now does so much of the social care work? 

**Ms Rimmer:** It is honestly very difficult to give a judgment on that. Overall, as you know, there has been enormous effort into trying to upskill the workforce, but there are real barriers to doing that in terms of the complexity of the funding systems for training in social care, which we as a relatively small voluntary organisation try to access. It is extremely bureaucratic, very time-consuming, very ineffective or inefficient perhaps, and the needs for these higher grade skills are growing all the time. Because of the relatively poor terms and conditions of workers in social care, you get very high levels of turnover. You are getting reported from the National Minimum DataSet something like 24 per cent turnover rates, where one of the main criteria—you asked me about quality—that clients give is that they want continuity of their care worker. This is a major, major issue which needs to be addressed very urgently. 

**Chairman:** Thank you very much. I was going to say to our witnesses first of all that we have got through most of the prepared parts of the agenda, but is there anything you have not said that you wanted to say? 

**Q314 Lord Layard:** Could I just ask about the immigration policy and the points-based system? 

**Ms Irwin:** To respond on that, one of the difficulties for the RCN in responding to a question on what we think about the points-based system is that it is difficult to comment in the absence of any UK workforce planning system, which we have all referred to in different ways. Unless you know what levers you are trying to pull and what outcome you are trying to achieve, which we do not know because there is not a UK workforce planning system, making a point about the migration points system is actually very difficult. 

**Dr Borman:** From the British Medical Association’s perspective, firstly we will provide in our written submission a more detailed response, including copies as an appendix of our submission to the Home Office consultation on this particular matter, so it will provide a more detailed view. In general terms, what I would say is that we would be looking to have a migration model that would be based not purely on economic factors; the points-based system dominantly is based on a UK view and an economic model only and we would want to see a greater
recognition of the broader social implications of migration and, specifically, the implications in terms of employee protection within the specific post that that migrant is likely to be taking up. It has been of considerable concern to the British Medical Association, and indeed having had discussions with my colleagues here before the Committee’s hearing, that migrants are much more likely to find themselves on the wrong side of a glass ceiling and are employed in posts which are not necessarily of the best calibre, do not necessarily achieve their best career potential and, regrettably, we feel that this does need to be considered more carefully when any points-based system is reviewed.

**Ms Rimmer:** We do not have any specific views on the points-based system, but we do have a view that there is an urgent need for more information about migration and social care and its significance. That is given even more force by the complementarity of social care services with health going forward.

**Chairman:** Thank you very much indeed; we are most grateful to you and you have given us a lot of information in the time we had. Thank you very much.

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**Memorandum by Professor David Blanchflower**

**Question 4:** What impact has immigration had on the labour market, including wages, unemployment and other employment conditions of the UK workforce, and has it differed for skilled and unskilled employees? How does the minimum wage affect the impact of immigration?

1. The particular focus of my recent research has been on the impact on the UK economy of the influx of workers from the A8 countries of the Czech Republic; Estonia; Hungary; Latvia; Lithuania; Poland; Slovakia; and Slovenia who have come to the UK since accession in May 2004 and more recently the flow from Romania and Bulgaria (the A2). I refer to the ten countries collectively as the A10. The propensity to come to the UK to work from these countries is higher the lower is GDP per capita in each of the East European countries. The decision is also strongly negatively correlated with life satisfaction scores and positively correlated with unemployment rates, but is uncorrelated with employment rates or rates of inflation.

2. There is reason to believe that the majority of those who have arrived in the UK from Eastern Europe have not come permanently. They have come to work, are highly productive, educated, mobile and are prepared to work for relatively low wages. When surveyed only 9% said they expected to stay for more than two years. Hence, in my view it is inappropriate to call them migrants, whereas in fact they should more appropriately be considered temporary or guest workers.

3. The flow of workers from the A8 and the A2 appear to have increased the “fear” of unemployment, which tends to have a downward impact on pay especially in the non-union sector (Blanchflower, 1991). The “fear” of unemployment refers to the probability of a worker losing their job, and may increase if the competition for jobs rises, for instance, through immigration or the threat of greater outsourcing to lower-cost economies. Both these channels can be used to explain an increase in the ‘fear’ of unemployment in the UK since the accession of the A8 nations in May 2004.

4. The Directorate General for Economic and Financial Affairs of the European Commission conducts regular harmonised surveys for different sectors of European Union and applicant country economies. They are addressed to representatives of industry (manufacturing), the services, retail trade and construction sectors, as well as to consumers. Consumers in each monthly survey are asked (Q7): “How do you expect the number of people unemployed in this country to change over the next twelve months? The number will (a) increase sharply (b) increase slightly (c) remain the same (d) fall slightly (e) fall sharply (f) don’t know.” The answers obtained from the survey are aggregated into a survey “balance”. Balances are constructed as the difference between the proportion giving positive and negative replies.

5. Charts 1–3 plot three-month averages of the survey balances (advanced 12 months) against actual unemployment rates for the UK, EU-15 and Ireland respectively. Chart 1 shows that the “fear” of unemployment and actual unemployment have risen over the past few years in the UK, consistent with the accession of the A8 nations to the EU and the UK opening its borders to workers from these countries. In
contrast, Chart 2 shows that the “fear” of unemployment has declined in the EU-15 since 2003–04. This is consistent with most of the other EU15 countries placing restrictions on the ability of A8 workers to enter local labour markets.

6. Chart 3 plots the survey balance for Ireland, which along with Sweden and the UK, was one of the only countries to grant full access to its labour market for A8 workers following accession. The “fear” of unemployment has risen there as it has done in the UK as the number of Eastern Europeans in the country has increased. Ireland’s population increased by 313,000, or 8.1%, between 2002 and 2006. Of this increase 213,000 was from migration. The largest increases were from Poland (+60k); Lithuania (+22k) and +40k from the rest of the EU-25 excluding Britain and Northern Ireland.

7. Consistent with a rise in the “fear” of unemployment, wage growth has been depressed in both the UK and Ireland since A8 accession. According to the UK Average Earnings Index (excluding bonuses), wage growth has fallen from 4.2% in 2004 to 3.9% in 2005, 3.8% in 2006 and 3.5% in 2007 Q2. Average weekly earnings growth in Ireland has fallen from 5.0% in 2004 to 3.1% in 2006. Given the strong growth rates of both economies, many economists have struggled to find an explanation for this apparent weakness. I believe a rise in the “fear” of unemployment is the only realistic candidate explanation.

8. The fact that wage growth has been benign in both countries should not be viewed as a negative point, however. An easing in wage growth has helped to offset inflationary pressures emanating in other areas of the economy, such as increases in the prices of energy and food. Immigration has therefore helped the Monetary Policy Committee to hit its inflation target.

Question 7: What has been the impact of immigration on key macroeconomic indicators: GDP and GDP per head, unemployment, productivity, investment, inflation and asset prices especially housing? Do the economic effects of immigration vary over time?

and

Question 10: How does the impact of immigration vary across different regions of the UK?

9. The overall impact of immigration on native labour market outcomes, inflation and growth on its own is not clear-cut—there is no automatic rule-of-thumb that we can look to in order to determine the impact on the economy. Dustman et al (2005) examined the way immigration impacted native outcomes in the UK using data from the 1983–2000 Labour Force Surveys. They used pooled data for 18 years across 17 regions, but, because of data availability, just the period 1992–2000 for wages. They estimated a series of regressions with the immigrant-native ratio as a control. Their main findings were that there was little evidence of any adverse outcomes for natives on wages, employment or unemployment, consistent with findings for the US and elsewhere.

10. Hatton and Tani (2005) have investigated the hypothesis that net immigration is a determinant of inter-regional migration flows for Britain. The evidence indicates consistently negative correlations between immigration to one region from abroad and in-migration from other regions. But they are only significant for the southern regions where immigration of foreign citizens is most concentrated. Nevertheless they suggest that inter-regional migration may be an important mechanism through which the British labour market adjusts to immigration. Frijters et al (2005) find that immigrant job search is less successful than that of natives; immigrants are as likely to gain employment through informal methods as via verifiable routes; the probability of success increases with years since migration. The finding that immigrants do not effectively compete for jobs may thus help explain why immigration has little impact on native employment. Manacorda

10 We calculated the series for EU-15 weighted according to the population of each country for each year. Due to the availability of the data, the EU-15 series for unemployment expectations includes:

January 1985–March 1986—UK, Belgium, Denmark, Germany, Ireland, Greece, France, Italy, Netherlands
April 1986–August 1987—as above, plus Portugal and Spain
September 1987–July 1995—as above, plus Finland
August 1995–October 2001—as above, plus Sweden and Austria
November 2001–December 2006—as above, plus Luxembourg
And the EU-15 series for unemployment rate includes:

January 1985–December 1994—UK, Spain, France, Italy, Netherlands, Austria, Portugal, Finland, Sweden
January 1995–December 1996—as above, plus Belgium, Denmark, Germany, Ireland
January 1997–March 1998—as above, plus Luxembourg
April 1998–December 2006—as above, plus Greece

11 There is no evidence of pick-up in the “fear” of unemployment in Sweden, but relatively few A8 migrants have entered the country since accession.

12 http://www.cso.ie/census/documents/PDR%202006%20Commentary.pdf

13 Source: Central Statistics Office Ireland website (Average Weekly Earnings in Euros—All Industries, All Firms with 10 or more Persons Engaged)—downloadable from www.cso.ie/px/pxerstat/database/irestat/Earnings.asp
et al (2006) find evidence that natives and immigrants in the UK are imperfect substitutes, like Ottaviano and Peri (2005, 2006) for the US. They find that a 10% rise in the share of immigrants increases native-migrant male wage differentials by 2%. This acts to attenuate any effect of increased labour supply on the native wage distribution and then only has a sizeable effect on wages of migrants who were already in the UK. It also helps to explain the findings of Dustman et al (2005) and others that the wage impact of immigration on natives is small.

11. Longhi et al (2005) calculate that, across 165 estimates from nine recent studies for various OECD countries, the average estimated impact on natives' employment of a 1% increase in the number of immigrants is stronger for low-skilled than for high-skilled workers (−0.04% for low-skilled only), but on average it amounts to a negligible −0.02%. The impact is larger on existing immigrants, but still small at only −0.05%.

12. In an interesting new study for the OECD Jean and Jiménez (2007) also examined the unemployment effect of immigration in OECD countries, with a focus on the time profile of these effects and on their interaction with product and labour market policies. They did not find any permanent effect of immigration, measured as the share of immigrants in the labour force, upon natives' unemployment. They did, however, find significant evidence of a transitory and delayed impact on unemployment of changes in the share of immigrants. The impact was weak when measured at the skill level: natives with skills most similar to those of immigrants were not found to suffer from a strong rise in their unemployment rate relative to other categories of natives. Jean and Jiménez (2007) found further that the extent and duration of the unemployment impact of immigration partly is shown to depend on policies. In particular, they found that anticompetitive product market regulation increased both the magnitude and persistence of the impact of a change in the share of immigrants in the labour force on native male unemployment. They show that employment protection legislation increases the persistence of the unemployment impact of immigration, while the generosity of unemployment benefits increases its magnitude. These are particularly low in the UK compared with most other OECD countries. The authors conclude as follows.

“Policies that enhance the adaptability of labour and product markets to immigration shocks should help limit the impact of these shocks, while at the same time helping the labour market to quickly revert to a new equilibrium. In sum, immigration per se is not a problem for natives' unemployment. However, changes in immigration flows may require adjustments that are costly for the native population, and well-suited framework policies can be important in minimising these costs.”
(Jean and Jiménez, 2007, p 22)

13. In thinking about the supply potential of an economy, most people would probably agree that extra (immigrant) workers in an economy would raise the supply potential of the economy. But the extent to which aggregate supply increases will depend on the economic characteristics of immigrants relative to native workers. A recent survey of contacts of the Bank of England's regional Agents suggested that the new A8 workers were highly productive. This is consistent with the findings of a Home Office Study on the use of migrant labour that concluded as follows.

“Employers cited advantages of migrant workers in terms of their general attitude and work ethic. They tended to be more motivated, reliable and committed than domestic workers. For example, migrants were said to be more likely to: demonstrate lower turnover and absenteeism; be prepared to work longer and flexible hours; be satisfied with their duties and hours of work; and work harder in terms of productivity and speed. In the view of some employers, the more favourable work ethic of migrant workers encouraged domestic workers to work harder.”
(Dench, 2006)

14. In Saleheen and Shadforth (2006) it was argued that immigration of higher skilled (or more productive) workers could temporarily raise the domestic rate of productivity growth; and that immigrant labour could lower the natural rate of unemployment, either by filling skill gaps (assuming that foreign-born workers are complementary to the domestic workforce) or by tempering wage demands, as wage bargainers become aware that they can be replaced more easily than in the past. In support of the latter argument, the OECD Economic Outlook notes that “international as well as UK evidence suggests [that] immigration can serve to make the labour market as a whole more fluid and wages less sensitive to demand fluctuations (2006, p 68)”.

15. Katz and Krueger (1999) argue that recruitment agencies for temporary workers have also contributed to declines in the natural rate of unemployment. Shimer (1998) argues that time series changes in the natural rate of unemployment in the US are driven by demographic changes; the declining natural rate of unemployment over the past decade or so has resulted from declines in the proportion of individuals in the population that had high propensities for unemployment. The analogy for the UK is that the workforce has increased in size as a result of adding a group—the A8—with a relatively low propensity to be unemployed and to claim benefits. The workforce appears more flexible and mobile than it was before the entry of workers from the
A8. They had no entitlement to benefits so the replacement rate in the economy has fallen, once again lowering the natural rate of unemployment. These A10 migrants have likely reduced the natural rate through their impact on the wage bargaining process, lowering the bargaining power of native workers.

16. In thinking about aggregate demand, most people would agree that immigrants are extra consumers and that they raise aggregate consumption demand. It is likely that immigrants spend a lower fraction of their income when compared to domestic workers, perhaps because they send remittances back home or spend less on durable goods while temporarily resident in the UK—this would, on its own, suggest that immigrants raise demand by less than they raise supply. However, the funds that migrants send home might be recycled back to the UK through greater export demand, and UK consumers might also benefit from lower prices as a result of the extra productivity of migrants. Aggregate demand might also rise because of increased investment. The theoretical argument here is that firms require both labour and capital to produce their output. Immigration gives them more labour, and firms may wish to supplement this with more capital. But the extent to which investment rises, and how quickly, will depend on the skills of immigrants and the technologies of firms. If firms are able to substitute between labour and capital, then there may be a smaller impact on investment than might otherwise be the case.

17. On balance I would suggest that at present it appears that the recent inflow of workers from the A10 has acted to reduce the natural rate of unemployment in the UK. But it also seems that it is likely to have raised potential supply by more than it has raised demand, and thereby has acted to reduce inflationary pressures. This argument holds for three reasons. First, the consumption behaviour of native workers may have been affected by the increased “fear” of unemployment resulting from a more flexible labour market. Second, the recycling of remitted funds back to the UK is unlikely to be perfect. Third, firms may be able to substitute between capital and labour, offsetting some of the potential for investment spending to rise.

18. Consistent with the results from previous studies, such as Manacorda et al (2007), Chart 4 shows that regions with the biggest increases from Eastern Europe have tended to see the smallest rises in their unemployment rates. This is consistent with the possibility that foreign workers are attracted to those regions where the unemployment rate is lowest and opportunities are greatest, for which there appears to be some evidence. There is tentative evidence, however, in contrast to some other studies, to suggest that A8 workers have lowered wage inflation among the least skilled. Chart 5 shows a negative relationship between the change in the annual rate of wage inflation of those in elementary occupations (defined in the LFS as SOC 9) between 2005 and 2006 and the change in the share of A8 workers one year earlier, as recorded in the WRS in 2004 and 2005, across regions. The downward sloping line is consistent with a reduction in wage pressures brought about by immigration, or an increase in the fear of unemployment, or both.

19. However, we know that most immigrants are young (43% of workers on the Worker Registration Scheme are aged 18–24), and that the most recent rise in the aggregate unemployment rate has been driven by an increase in youth unemployment. In fact, the proportion of total unemployment accounted for by 18–24 year olds has been rising steadily, from 24.3% of the total in 2000, to 30.7% in 2006 Q3. So what about the possibility that the influx of migrants has increased the youth unemployment rate? Chart 6 shows that there is only a weakly positive, but statistically insignificant, relationship between those regions that have witnessed the largest increases in youth unemployment and those that have seen the biggest influxes of new immigrants. Consistent evidence across OECD countries is presented in Jean and Jiménez (2007).

20. So it seems that the increase in unemployment in the UK has had relatively little to do with the influx of temporary workers from Eastern Europe. Metcalf (2007) summarizes a large body of evidence that suggests that the introduction of, and subsequent raises in, the National Minimum Wage has also had little or no impact on employment or unemployment. There is also no empirical evidence whatsoever to support the claim that unemployment in the UK has increased because wages or non-labour costs have not been sufficiently flexible downwards. The UK has a flexible labour market and has policies in place (Jean and Jiménez, 2007), which are likely to have minimized the impact on employment and unemployment of the recent inflow of workers from the A10. Replacement rates, for example, are low and job protection measures are also well below OECD averages (OECD, 2004). Rising labour market slack, which has occurred in the UK since mid 2005 has likely reduced worker’s bargaining power as has a rising fear of unemployment. The presence of highly productive workers from the A10 who are prepared to work for relatively low wages along with associated increases in actual unemployment are what has helped to keep wages down. There is little or no evidence of any displacement effects.

14. Borjas (2001) argues that immigration “greases the wheels of the labour market by injecting into the economy a group of persons who are very responsive to regional differences in economic opportunities” (2001, p 2). This has the effect of improving labour market efficiency and hence leads to a more efficient allocation of national resources.

15. This rise has occurred subsequent to the National Minimum Wage being implemented on 1 April 1999.

16. According to this study the United States, the UK and Canada “remain the least regulated countries” in the OECD (OECD, 2004, p 71).
The Economic Impact of Immigration: Evidence

Chart 1: UK unemployment expectations

Unemployment expectations over the next 12 months (3 month average - advanced 12 months - LHS)

1985-2007 average


Source: Office for National Statistics and EC survey

Chart 2: EU-15 unemployment expectations

Unemployment expectations over the next 12 months (3 month average - advanced 12 months - LHS)

1985-2007 average


Source: Weighted OECD unemployment data and EC survey

Chart 3: Irish unemployment expectations

Unemployment expectations over the next 12 months (3 month average - advanced 12 months - LHS)

1985-2007 average


Source: OECD and EC survey

Chart 4: Have regions with the biggest rise in unemployment also seen the biggest rise in immigration (2006/07 less 2004)?

Change in the unemployment rate, pp

Change in the share of new immigrants, pp

Source: Labour Force Survey micro-data and ONS

Chart 5: Change in the annual rate of wage inflation between 2005 and 2006 of those in elementary occupations and the change in the share of A8 migrants between 2004 and 2005 by region

Change in the annual rate of wage inflation of the least skilled, pp

Change in the share of A8 immigrants 2004 to 2005, pp

Source: ONS and LFS micro-data, 2005-2006 and various Accession Monitoring Reports

Chart 6: Have regions with the biggest rise in youth unemployment also seen the biggest rise in immigration? (2006/07 less 2004)

Change in the youth unemployment rate, pp

Change in the share of new immigrants, pp

Source: LFS micro-data and ONS

28 September 2007
Examination of Witness

Chairman: Good afternoon. It only seems the other day that you were here before. You are very welcome. I do not need to say to you that we ask everybody to speak up and to speak clearly so we get an accurate record; I am sure you know that perfectly well.

Q315 Lord Layard: You have done an analysis that shows that the likelihood of eastern Europeans coming here is related to life satisfaction in the country and GDP per head. Also, I saw you quoted in another study which showed that the stock of people from that country already here is very important. If you put all that together, how do you think that the future pattern or scale of migration will develop?

Professor Blanchflower: That is a really important question. It is quite clear that the flows from eastern Europe have been driven by relative living standards. So GDP in a donor country compared with that of a host country is an important factor. Actually, and I say in the paper, it turns out that happiness data does predict it better in some cases. The problem is that there are two parts to what we have seen. The first part is that folks who are here have been going back and forth and the first question is whether they are going to stay, whether they are going to upskill and move from a low-paid job to a more highly skilled job and whether there is going to be a second flow of less-skilled workers coming. That is obviously the big question. The other part is that as remittances are coming, what we are now seeing is that the GDP levels and the happiness levels of these donor countries are actually rising. Obviously these questions are on the table. One of the big questions as well is whether the network effects are developing here, whether the people who have initially come and said they intend to stay for a short time and they go back and forth, whether those factors are going to change. So the questions on the table really are: as GDP rises in the host countries, is that going to slow the flow? Are people going to move up and basically find that now they have more human capital relevant to here? Third, is there going to be a flow again of less-skilled workers? The answer is that these are all questions on the table, it is very hard to do the analysis and one of the things that I have seen through all the work that I have been doing is that there has not been enough analysis. We have tried at the Bank to do some of this and these are really very important questions and we do not have a very good answer. The other point to say is that also it turns out that much of the analysis we have done on output applies to Ireland as well. It turns out that you can model the flow to Ireland. In fact another flow which is interesting is actually going to be whether there is going to be a flow of workers from eastern Europe who are currently in Ireland, especially in construction. As construction there has declined, are they going to come here? I hear the Irish think that they are going to come here to help build the Olympic Games. So the answer is that I do not know. It looks to me like the model is going to keep sustaining itself but this is very speculative.

Q316 Lord Layard: I am glad to hear your answer at the end. Is it not the case, if you go back to the coming down of the Wall, basically ever since the Wall came down, there has been an absolutely steady movement of the European population westwards which one would expect to continue for 20 years more?

Professor Blanchflower: I see no reason why it should cease. The thing which is perhaps surprising is that the flow has been primarily to English-speaking countries. I know we have opened up the borders more than others have. Perhaps what is interesting is to look at Sweden. Sweden opened up as we did and has not seen a big flow, so it has something to do with the flow West, but also the value of the English language turns out to have been quite important. If you look at Sweden, it has only had something like 60,000 who have come, whereas Ireland has had 330,000 and we have had 600,000 or so. It is an inexorable move West. We may see, as other countries are opened up more, that there will be another flow to Italy and Germany and so on. That has not really happened and the expectation was that that was where those folks would go and that has not happened yet. You are right, there is an inexorable likely move West. How long that will be, how sustained that will be, probably will depend upon how these networks rise and the relative standard of living in the donor and the host countries. The answer is that I agree but the amount of stock is going to depend.

Q317 Chairman: What about the question of people coming, mostly temporarily originally, and then changing their minds and staying permanently? Have you a view on that? There is not much evidence of that so far. What do you think is likely to happen there?

Professor Blanchflower: That is a question I have thought quite a lot about. The first thing is that we perhaps did not expect the guest worker component of the flow, people coming for a short time. Actually, on the surveys done in the Worker Registration Scheme, people say that they are going to stay for a short time. I talk about it in the paper regarding communications I had with Barry Chiswick, whose view is that people say that they are going to stay for a short time and then they change their minds, perhaps as they understand rather more what is going on in the labour market, they lose their origin-specific human capital and get...
more destination-specific human capital. Chiswick’s view is, and he is probably right, that people may come and say they are going to come for a short time; actually what they are saying is that they are going to come for a short time and check it out. What we are seeing is that people have come and checked it out and my experiences from going around on the MPC visits is that businessmen say to me that what they had first was a young man who had come and then he would go back and bring his brother, and then he would go back again and his brother, and his mother and father would come, so you are starting to see a slightly different flow. We are seeing these network effects develop. It is obviously speculative to know exactly what it is coming, but I do not see that flow stopping and the upping of the numbers of the ONS is probably appropriate.

**Q318 Lord Paul:** You have argued that migration from eastern Europe has created a downward impact on wages by increasing the fear of unemployment. Has this impact been confined to certain segments of the workforce or does it occur throughout all occupations and sectors of the economy? What other factors are relevant to fear of unemployment?

**Professor Blanchflower:** As part of the work on the MPC, I have tried to understand why wage growth has been benign and I have been fairly well known for saying that it was going to be benign and was going to remain so, and that seems to be what has happened. The question you ask yourself is why that has happened. Part of it appears to have happened because of an increase in unemployment which has occurred over the last year or so, but there is a series that I report on in the paper where actually the European Commission collects data on what I call the fear of unemployment. It turns out that in two countries, and only two, since about 2005 there has been a rise in what I call the fear of unemployment. People think that unemployment is going to rise. In the UK it has been associated with some rise in unemployment but in Ireland what is interesting is that there has been no rise in unemployment and people think that unemployment is going to rise. That seems to have bid down wages somewhat and I hear that when I go on my visits. I hear people say that workers are aware that the company could move; they are aware that they could be replaced by foreigners. There is some element of that and we have tried at the Bank to do quite a lot of work, trying to understand and trying to show whether these migrants have had any effect on wages. Earlier in the year I published a paper where I said I did not really see any evidence but actually the good thing about empirical research is you can change your mind. I actually find in the later version of the paper that there is some evidence that the flow of workers from Eastern Europe, which primarily has been in unskilled jobs but not necessarily of unskilled people, has lowered the wages of the least skilled, so there is some evidence of that. It is very hard in the data that we have actually to show very many effects. In some sense this is fairly speculative, this is data that we are trying to gather all the time, but I take the view that fear of unemployment and actual unemployment, especially fear of unemployment, have kept wages down and especially pushed the wages of the least skilled down but the effects are not enormous.

**Q319 Chairman:** Assuming that your analysis is right, they are also likely to continue as fresh waves of people come?

**Professor Blanchflower:** It really will depend on whether the fresh waves of people are as productive as this first wave. The thing that we have learnt is that the people are in unskilled jobs, but they are not uneducated. Hence they have been very productive and employers say to me that these people show up on time and they work really hard and they are earning so much more than they did at home. The question is whether that is going to continue. If they maybe upskill and move to fill the shortages that you folks are looking at, is the next flow of people going to be as productive? I suspect not.

**Q320 Lord Turner of Ecchinswell:** May I ask you a particular question about this fear of unemployment and its relation to the natural rate of unemployment? Am I right that there are actually two things going on here, one of which is that you have an extra supply of workers and if there is at all a downward sloping demand curve for labour, as Borjas puts it, then there will be a fall in people with the same skill sets within this country? You seem to be saying there is an extra effect which is that fear of unemployment actually makes the labour market more efficient. How does that work? Is this because it erodes trade union power, that trade unions have less ability to defend the interests of insiders against outsiders? Is this a secondary effect or is it simply the fear of unemployment is driving wages down?

**Professor Blanchflower:** In some sense it is built on work Lord Layard did with Steve Nickell many moons ago. In some sense it seems to me that we have now a very flexible labour market, able to absorb shocks and basically what we have done, to put it in Layard/Nickell—type language, is that we have improved the matching function. We have brought a group of people in who are disproportionately in work, first. Second, they are prepared to live in places that particular groups of workers here are not prepared to do. They are mobile, they are prepared to live in housing conditions that domestic workers are
not prepared to live in. If you like, it has made the labour market more flexible and more adaptable and, to go back to the matching function, we better match workers to jobs. In the data it does not appear that they are actually displacing workers; they are actually doing jobs that indigenous workers cannot or will not do, because they perhaps cannot afford the housing or something. I think of it as improving the functioning of a labour market and the work from the OECD suggests that our economy is flexible enough to absorb that. I have sort of answered your question.

Q321 Lord Turner of Ecchinswell: My second question is: is it changing the performance of the labour market of the pre-existing native population? The answer you just gave could be the equivalent within employment statistics of the compositional effect in wage statistics; the wage rates on average come down, not because the wages of existing workers have come down, but just because you have brought in some low wage people. One could end up with a lower rate of unemployment just because you have brought in some people and that segment compositionally has a higher rate of unemployment. Do you think it has changed the behaviour of existing workers in a way which therefore changes the natural rate of unemployment?

Professor Blanchflower: I do, and my observations in a variety of companies suggest that. A number of times what I see is that workers in factories and the companies that I go to is that there is the incumbent workforce and then a workforce from Poland or Lithuania or Latvia, who have been brought in, who are efficient, the company likes them. I have asked them on many occasions to tell me about what is going to happen to the next pay round? The manager says to me that these guys make £10 an hour and those make £7 and we know that these people would be very happy to do that job. I do take the point.

Q322 Lord Turner of Ecchinswell: So it reduces the potential for cost-push inflation by institutional mechanisms?

Professor Blanchflower: That is right. There certainly appears to be some recognition of that fact; they are filling skills shortages. It is not just fear of these folks: this is in some sense globalisation. I listen to union leaders and so on saying to me that they are aware that the companies can themselves move. It is not just that the workers can come from Hungary but the factory can go to Hungary as well and it can go to Hong Kong and so on. This is in some sense the front end of globalisation; it is one example of it. We should not just focus on this flow of workers from eastern Europe, we should think of it as a bigger part of the global phenomenon.

Q323 Lord MacGregor of Pulham Market: I suspect, in terms of manufacturing plants, that factor of going to Hungary or elsewhere is a bigger factor because it is happening on quite a scale. May I also ask you about those who are not in that sort of manufacturing area, the self-employed, a huge number in London in the tourist industry and so on? Is that a displacement factor or not?

Professor Blanchflower: I do not know that it is a displacement factor. We certainly have a couple of puzzles. The first puzzle we have is why the vast proportion of jobs in the last couple of years has been self-employed at a time when apparently there is a flow of workers from eastern Europe into self-employment whom we do not even count, so you might think that the estimates are relatively low. We know relatively little about the earnings of the self-employed. For example, most of the so-called wedge between the AWE and the AEI actually excludes them entirely. We know relatively little about what is going on. It does not appear, if you look at the data, that there has been a displacement because there has been a huge growth in self-employment. That would be a good cover; it may or may not continue. However, if you look over the last two years something like two thirds of all job growth has been in self-employment. That is an understatement of how many self-employed there are.

Q324 Lord MacGregor of Pulham Market: Or keeping wage rates stable or low in a lot of those sectors where self-employed are used?

Professor Blanchflower: We might well think so but, again, we have some problems and it seems to me that the fact that, for example, the self-employed do not have to register on the Worker Registration Scheme does not help us and it is hard to get them on it. It seems to me that that is something which probably should be fixed and I see no good reason why they should not be registered on it. We would like to know how many are here. We can only really pick it up badly from the Labour Force Survey. I take your point entirely and it is something I have written two or three papers on recently; it is a puzzle but thank you for the question.

Q325 Lord Griffiths of Fforestfach: Two questions on the impact of immigration. Firstly on labour market participation and secondly on training, especially training of young people.

Professor Blanchflower: I am afraid I do not know a lot about quite what the impacts have been. We have seen a couple of puzzles at the moment; the participation rates of older workers have been quite substantial and risen. We have tried again at the Bank to think about what has gone on with the young. Perhaps I am not quite answering your question in terms of training because we do not really
know much about it but it does seem a puzzle that we have a growing proportion of the unemployed who are young. If you take 18- to 24-year-olds since 1997, each year the proportion of the total unemployed ticks up by one per cent a year. We do not know a great deal whether it has to do with lack of training of those folks or not being trained for the particular jobs in place. This is an area we do not know very much about. It does not appear that these guest workers coming in are actually having a big effect on the older workers’ participation rates or on this unemployment number. We tried hard to see whether we could see an effect. There may be one, but it does not appear to be in the data. So, again, this is an area where we need more work. No-one seems to be doing any work on it. We are trying but there are only a few of us.

Q326 Lord MacGregor of Pulham Market: I have a horribly general question which to some extent you have answered already, so it is a general map-up question. What is the impact of immigration on the income per head of existing residents, that is the non-migrants, in the short and long run? How would you assess the overall economic aspects of immigration on that existing population in the UK?

Professor Blanchflower: I take a view that there has been a significant positive. What you have seen actually, when I am talking particularly about the flow of workers post-2004, particularly from the A8, which is the area that I have worked the most on, if you look at the Government’s submission to this inquiry, they talk about the benefit to the country in terms of the contribution of a migrant in that they contribute more than they take away. However, you might think of it in a sense that this group of workers is really quite different in that their probability of working is so very high. As a group they are not unemployed, they are not drawing benefits, they are clearly working and they are not drawing from the total population. I take the view, as a member of the Monetary Policy Committee, that this is, if you like, raising the trend growth of the economy and in a sense it is to some degree holding back wage inflationary pressures that we have seen in the past. There is a benefit in the short run but we might think going forward there will be macro benefits and in some sense people are more realistic about wage pressures but we will see going forward.

Q327 Lord Griffiths of Fforestfach: May I just clarify that? In earlier evidence, people argued very strongly that there was no evidence that there was an increase in income per capita from immigration. In your evidence to us what you suggested at one stage was that the productivity of migrant workers was possibly higher than the productivity of existing workers. Would they not take the benefit of that themselves? Why would that raise the income per capita of the existing workforce in the UK or indeed of the population of the UK?

Professor Blanchflower: That is a good question. These are issues that we are trying to understand and explore. A good way of thinking of this is that employers do not have to hire these folks, they do not have to hire them; they are choosing to, they find them productive, they are finding them beneficial to their business and they are keeping the prices of their products down. That is having positive effects elsewhere through the distribution. It is helping employment of others, it is keeping this firm going and it is helping shareholders. This is early days but it appears to me that if these Eastern European workers were not beneficial to the firm, they did not have to hire them. There is no legislation from you saying these folks have to be hired; this is a free market. This is a choice and they are productive. In the future, whether that will continue we shall see, but it is hard to think that this has not been a beneficial flow to the UK. I was in Germany the other day discussing this and basically the German Government were talking about how foolish they were to allow this flow of workers to come to the UK and how they have messed up so badly and the UK were so lucky to have this flow of workers and they would have liked them. So well done.

Q328 Lord Best: Do you feel that the Government’s submission to us was helpful? Would you agree with it and what do you think about the new points-based system for managing migration?

Professor Blanchflower: I read the two submissions. I am not going to say whether I agreed or I disagreed with it. It stated the set of economic arguments pretty well and laid out the data quite well. In fact, in some of the tables I viewed they expanded them quite well. Perhaps the strength of the report was the idea that we need to improve the statistics. The weakness of it was: well, what are you going to do with those statistics once you have produced them? It was singularly lacking. The resources have been put in to collect data on this, that and the other for members of this Committee. Well, so what? What is the data actually going to tell us? I thought it was somewhat lacking in “Let’s analyse it and work out what is going on”.

Q329 Lord Best: The last bit was what you thought of this new points-based system for trying to manage immigration?

Professor Blanchflower: I do not have a particular view on that. It does make sense to try to think about matching flows of workers, migrants to available jobs, and the idea of having a Migration Advisory Committee staffed with labour economists is a good
idea. David Metcalf is a good appointment and I am going to pass, as you might expect me to.

Q330 Lord Layard: I just wanted to go back to a couple of things you just said which might be related. One is the increasing or non-decreasing rate of non-participation, especially among young people in the labour market. I suspect that that is particularly more in London than elsewhere; I am not sure. That is certainly a possibility. Secondly, you pointed out that having immigrants has held down wages, that there is some link between participation and wages. Is it not possible from the two things you have just said that the volume of immigration has actually reduced the level of participation on the part of domestic residents?

Professor Blanchflower: That is a thought that I have had for quite a long time and I have been trying to see whether I can find something in the data to sustain that. We and members of the staff at the Bank have been trying to look for that. We do not, at this point, see any patterns. The argument you have made is a clear one and a good one. At the moment, it is hard to see it in the data and there is an example in the submission I gave you. Can you look at changes in participation rates by area? There is one little graph which is quite interesting and has to do with the youth unemployment numbers. You have this growth in youth unemployment, to what is it due? Is it due to these changes? It turns out that there is nothing in the data I can show you to suggest that where the growth in youth unemployment has been, it is not because of the growth of migrants. We have been trying very hard to show you that. I cannot see much evidence that that is true and I do not have a good explanation as to why it is that that youth unemployment number is jumping. You might think it has to do with the Minimum Wage operates, you might think it has to do with jumping from the youth to the adult rates, but when you try to plot it across areas and you think maybe in the north it might be greater, you cannot see anything in the data. So your arguments are good ones. I have been trying to see whether we can sustain it in the data and maybe it will come but at this moment I cannot see it and I do not have an explanation in the data. That is not to say you are not correct.

Q331 Lord Turner of Ecchinswell: I just want to be absolutely clear. You have suggested that there is a beneficial impact of immigration but I wanted to return to a previous question. Are we just talking GDP or GDP per capita? There is a tendency of some people to assume that a faster rate of increase in GDP is a good thing but you could argue that the only thing that matters is GDP per capita and we have no interest in GDP. There are certain circumstances in which you could have significant immigration but no impact on GDP per capita. If immigration were in precisely the same skill mix as the native population and if we imported capital to employ it, then it is easy to show that certainly at the GNP per capital level, once you have paid for that capital, we would simply have a bigger economy but nobody would be any richer. Are you, however, saying that you think in a sense British people on average get richer and is it sustainable? It must be some comparative advantage effect. What is it?

Professor Blanchflower: It is some comparative advantage effect, but the way I have tended to look at it is, let us say, we make a number like half a million folks come in at any one time who are productive, and the proportion of those people who are working is, let us say, 100 per cent, and 50 per cent of the existing workforce are working, what you are bringing into the calculation are twice as many people who are actually being productive in that group. If you ask me a separate question about migration from other places, I would give you a different answer but if we are focusing on this flow, this flow of workers who are not here for benefits, do not get benefits, have not claimed benefits are disproportionately in work—

Q332 Lord Turner of Ecchinswell: The core fundamental is just that the ratio of workers to dependents in this immigrant population is higher than in the existing population both because they have high preference to be in employment and they are in the age groups which tend to be in employment. That is the core of it rather than the comparative advantage effect.

Professor Blanchflower: Yes, the comparative advantage is one point, but for this group that second argument is just cleaner.

Chairman: Thank you very much. It was very helpful.
Memorandum by Dr Janet Dobson, University College London

1. INTRODUCTION

1.1 This paper offers a perspective on the impact of immigration on schools, with a particular focus on the economic aspects. It is concerned with the entry into the school system of non-British children arriving in the UK from overseas and not with longer-term implications of migration for birth rates and pupil numbers. It refers specifically to the English school system since the evidence cited relates to England rather than other parts of the UK, though most of what is said will apply elsewhere.

1.2 The following topics are briefly covered:

- Immigration of children: patterns and flows.
- Resource implications for the school system.
- Some specific school situations.
- The issue of pupil mobility.
- Some benefits of immigration for schools and society.
- The adequacy of resourcing.

2. IMMIGRATION OF CHILDREN: PATTERNS AND FLOWS

2.1 There has been a significant inflow of children from overseas into the English state school system throughout the last half-century. While a review of the resourcing aspects is to be welcomed, the impact of international migration on schools should not be viewed as a new phenomenon, still less as a national crisis.

2.2 Statistics from the Office for National Statistics (ONS) in Table 1 show fluctuating rather than increasing numbers of non-British child migrants arriving in this country over the last thirty years but suggest that fewer are leaving. These estimates are derived from the International Passenger Survey (IPS), a small sample survey at ports of entry, and the age range is not the same as that for compulsory schooling. However, the IPS is the only source from which we can derive a broad indication of change in inflows and outflows of children over time.

Table 1

INFLOWS AND OUTFLOWS OF NON-BRITISH CITIZENS AGED 0–14 IN THE UK 1975–2005

<table>
<thead>
<tr>
<th>Years</th>
<th>Inflows (000)</th>
<th>Outflows (000)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Total inflow</td>
<td>Average per</td>
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<td>in 5 year</td>
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<tr>
<td>1975–79</td>
<td>83.5</td>
<td>16.7</td>
</tr>
<tr>
<td>1980–84</td>
<td>108.5</td>
<td>21.7</td>
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<tr>
<td>1985–89</td>
<td>108.4</td>
<td>21.7</td>
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<tr>
<td>1990–94</td>
<td>95.3</td>
<td>19.1</td>
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<tr>
<td>1995–99</td>
<td>85.7</td>
<td>17.1</td>
</tr>
<tr>
<td>2000–04</td>
<td>99.5</td>
<td>19.9</td>
</tr>
<tr>
<td>2005</td>
<td>15.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: ONS International Passenger Survey

Table 2 below shows a net loss of British children and a net gain of non-British children in the period 1995–2005. This has been the pattern since 1975.
2.4 Foreign conflicts, recruitment of workers overseas and European Union expansion have all been factors leading to specific inflows in recent times. For example, hostilities in former Yugoslavia led to substantial numbers of young asylum seekers from that country joining English schools in the 1990s, while Afghan and Somali children are well-represented among current newcomers. The expansion of the European Union in 1994 increased movement from Western Europe—the number of Portuguese-speaking children in Lambeth schools more than tripled between 1994 and 2002 (LB Lambeth 2004). The large-scale recruitment of foreign health professionals in the wake of the NHS Plan 2000 resulted in the immigration of children accompanying or joining their parents in different parts of England. The further expansion of the EU in 2004 has also brought new migrants to the classroom in many local authorities. Data collected by Slough LA on the origin of children arriving in its schools from non-English speaking countries in the 18 months prior to January 2007 showed Poland topping the list.

2.5 Some of the inflow comprises children whose parents have come to the UK for a fixed period. Examples cited by schools in research carried out at the Migration Research Unit (MRU), University College London, include professors, circus performers, employees of international corporations, diplomats and other embassy staff and post-graduate students (Dobson et al 2000, Dobson and Pooley 2004).

2.6 The geographical destinations of migrant children from overseas are widespread but ONS statistics suggest that London and the South East receive greatly disproportionate numbers. A postal questionnaire sent by the MRU to all 150 local education authorities in England in 1999 asked about groups of children contributing to high pupil mobility in schools—that is, children joining and leaving schools in large numbers at non-standard times. Of the 127 LEAs who answered this question, 44 identified refugees and asylum seekers, and of these nearly two-thirds were London boroughs. Overseas migrants coming to work or join relatives in the UK were identified by 31 LEAs, of which over half were in London. Outside London, responses citing this group came mainly from the West Midlands and parts of northern England (Dobson and Henthorne 1999). Since 1999, there has been a programme of dispersal of asylum seekers and inflows of migrants from Eastern Europe to many areas but numbers entering London schools remain high.

2.7 As far as schools are concerned, a significant feature of change in the last two decades has been that children often arrive from a wide variety of countries and speak many different languages, rather than coming from a particular country or countries of origin. In one London local authority study just completed (LB Barnet 2007), a primary school listed the countries of origin of recent arrivals as:

Poland (four children), Czech republic, Turkey (2), Romania (3), Nigeria (4), Pakistan, Sweden, Indonesia, Bulgaria (2), Afghanistan (3), Somalia, Lithuania, Taiwan, South Africa, Russia.

Data collected by Slough LA referred to above showed similar wide diversity, with Pakistan, India and Somalia following Poland as the sources of the largest numbers in the 18 months prior to 2007.

2.8 Many of the difficulties that schools identify have less to do with the numbers of children entering the country and more to do with their uneven distribution between areas and between schools within those areas. The diversity of languages, cultural backgrounds and educational experience is a further factor.

3. Resource Implications for the School System

3.1 Where inflows of children into the English state school system exceed outflows, an increase in education spending is required simply to maintain the same per capita level of funding. If school capacity in particular localities is insufficient for the newcomers, then capital expenditure may be needed for additional accommodation, though in many parts of the country at present school rolls have been falling and there are spare places.
3.2 At school level, there are specific costs in terms of staff time associated with school admission, such as meetings with parents, explaining school routines and rules, recording information about the child and actions to help the child to settle in and make friends. Where parents and/or children lack fluency in English and are new to the English school system, these basic procedures are more difficult and time-consuming and may require an interpreter and the translation of written information.

3.3 Assessment of the skills, knowledge and previous educational experience of newcomers is crucial to placing children in the appropriate classes or groups and organising any additional support they may need (Ofsted 2002). If the child arrives with no information on prior achievement, which would normally be obtainable if s/he were changing school in England, and speaks little English, an assessment is hard to do and the help of bilingual staff and others may be required to facilitate it.

3.4 The cost of providing language or learning support to pupils arriving from overseas varies significantly from child to child. Some are fully fluent in English, while others are beginners. Some have been well-educated in country of origin, while others have had little, or disrupted, schooling. The latter can require substantial help if they enter the system during the secondary phase and schools are often reluctant to take in young people in years ten and eleven (aged 14+). Some children who come from war-torn countries need psychological help. Those who arrive as unaccompanied asylum seekers need particular care and attention.

3.5 Basic books and equipment must be provided for new pupils. Additional costs are involved in respect of such items as bilingual dictionaries, translated learning materials and books in other languages.

3.6 Many schools also invest resources in developing home-school relationships and links with migrant community organisations. The support of parents and others for the children’s schooling is seen as likely to contribute to their success. International migrants often have high aspirations for their children and many parents are themselves well-qualified, including some who are only able to obtain low-skilled jobs when they come to this country. However, at the other extreme, there are parents with little formal education who see early entry to employment by their children as desirable.

3.7 Schools sometimes put time and effort into arranging with other education providers for specific learning activities for parents to take place on school premises, such as English language lessons. These can have wider benefits in terms of social integration and access to jobs. For adult migrants, and mothers in particular, the primary school may offer a more user-friendly environment than other alternatives in which to take up such opportunities.

3.8 School staff often spend a good deal of time advising recently-arrived migrants on problems they have encountered and on access to local services such as health care.

3.9 Local authorities, too, have additional demands on time and resources arising from international migration. Assisting children to find school places and providing advisory back-up to schools are just two relevant areas.

4. Some Specific School Situations

4.1 Many schools now have well-established structures and procedures to manage the reception, integration and support of newcomers from abroad. However, there are a number of situations where schools can find themselves in difficulties and some are described in this and the following section. All have funding implications.

4.2 Schools receiving non-English speaking children for the first time have to adapt rapidly to new needs. They are likely to require additional staff with appropriate expertise in language teaching, training for existing staff and help to communicate with parents and children. Where there is local hostility to the new arrivals, this may be lessened if it can be seen that the necessary resources have been put in.

4.3 Schools which are already organised and staffed to support newcomers from overseas may nevertheless suddenly and unexpectedly take in large additional numbers in a short space of time. They may need more staff to cope with this increase.

4.4 Small primary schools can find it difficult to organise the necessary support to migrant pupils because their budgets and staffing are smaller and less flexible than in a large school.
5. The Issue of Pupil Mobility

5.1 Many migrant families from overseas who take up low-paid employment or seek asylum move around from place to place in the early period of their stay in the UK. Thus, children may spend a few days, weeks or months in one school and then move to another and then to another. Initially, the family may live with relatives or friends and then move on. In the case of asylum seekers, the National Asylum Support Service may assist with accommodation, necessitating a further move or moves. Setting aside the particular circumstances of asylum seekers, much of the movement results from the imbalance between the volume of low-paid jobs and the availability of affordable housing, particularly in London.

5.2 The consequence for schools is that some have continuous inflows and outflows of pupils, which are partly made up of recent arrivals from abroad and partly of children from other families moving home, splitting up or transferring their child from one school to another. For example, one secondary school in Westminster took in 120 children during the school year 2002–03, in addition to those joining at the start of Year 7 (at age 11) and had 59 leavers, in addition to those leaving at the end of Year 11 (at age 16). Of those joining, 50 had come direct from overseas. A similar picture was found in a Haringey school. (Dobson and Pooley 2004).

5.3 This level of mobility is exceptional but not unique. The local school system in most urban authorities operates in a way that results in a minority of schools taking in a disproportionate share of children seeking places at non-standard times for whatever reason. This is more marked in secondary than in primary schools. Some high mobility schools are located in areas where foreign migration is virtually non-existent, such as coastal resorts like Blackpool. A recent study (Machin et al 2006) found that about a quarter of a million children in England, 4.4% of all pupils, made non-compulsory moves from one school to another between one year and the next. These figures do not include children joining from abroad. However, high mobility has been discussed at some length here because it is relevant to understanding the scale and complexity of the task that some schools face as they welcome, integrate and support new arrivals from other countries.

5.4 The pressures on high mobility schools are very great as they endlessly repeat the routines outlined in Section 3 on the admission of each new pupil, who may then stay only a few days or weeks. They must also seek to establish the destinations of children who depart, in the interests of child safety. Vast amounts of staff time and effort are diverted by these activities in schools where, in most cases, there are large numbers of pupils who are economically deprived. Individual local authorities and local authority associations have made representations to government in the past about the resource needs of high mobility schools (Association of London Government 2003).

6. Some Benefits of Immigration for Schools and Society

6.1 Education in a school which draws children from around the world provides all its pupils with a breadth of outlook they would not otherwise have and a preparation for living and working in a global society.

6.2 Children coming from other countries often have high aspirations, value educational opportunity and work hard, which helps not only themselves but also their schools in seeking to establish a “can-do” ethos where children strive to achieve their potential.

6.3 Investment in staff to support the achievement of children from overseas enhances the quality of education for all pupils since, like other staff, they contribute to the life and work of the school as a whole, to learning in the classroom and to extra-curricular activities.

6.4 Schools which regularly admit new pupils often involve children already in the school in welcoming and looking after them. Some schools provide formal training and recognition for those who act as “buddies”. The skills and attitudes thus acquired have personal and wider community benefits.

6.5 Given the ageing demographic profile of the UK, migrant children who settle here benefit the country by adding to the pool of future workers. Educated in English schools, they have the chance to learn the English language (where necessary) and to acquire skills and qualifications. Many pupils from overseas achieve well in the English education system, particularly if they arrive in the primary phase. Ultimately, they may fill highly-skilled occupations, reducing the need to take highly-skilled workers from other countries.

7. The Adequacy of Resourcing

7.1 The Ethnic Minority Achievement Grant (EMAG) funds much of the work that supports children who join schools from overseas. The substantial increase in general funding that all schools have received since 1997 and the expanding employment of teaching assistants and learning mentors have also helped in this respect, as well as particular projects focussed on raising achievement. Some local authorities take account of pupil
mobility in their funding formulae for distributing money to schools but this element is a minor part of the total.

7.2 Many schools with large numbers of pupils not fluent in English, as well as small schools with limited budgets, argue for higher levels of resourcing through EMAG to give concentrated help to those needing it, individually or in small groups. The Lambeth report (2004) noted:

“In spite of the consensus that children can take between five and seven years to acquire the same levels of proficiency in academic English as their native-speaking peers . . . provision is inevitably concentrated in the early stages in schools where resources are already overstretched.” (p.110)

It is reasonable to suppose that higher investment in this area would receive a good return in terms of higher achievement.

7.3 Schools also argue for additional resources to manage high pupil mobility, for instance to employ a full-time induction mentor to carry out and co-ordinate work identified in section 3 above and provide on-going oversight and support to new pupils (DfES 2003b, McAndrew and Power 2003). This would release more time for senior managers and teachers to focus on their primary roles of strategic leadership, management and teaching, as well as giving children a better start and chance of success. High mobility schools generally have more disadvantaged intakes than the norm, both among mobile and non-mobile pupils.

7.4 Investment in the education and training of young people who arrive in the UK in Years 10 and 11 (aged 14+) is important if they are to be able to make a contribution in the labour market. This is an area that may need more attention.

7.5 One of the principal problems for local authorities and for individual schools is that they can receive an increase in pupil numbers through international migration very rapidly whereas funding mechanisms respond more slowly to changes in numbers. Flexible funding arrangements are needed which recognise the vital need for speed of response.

12 November 2007

Memorandum by the National Union of Teachers

INTRODUCTION

In an increasingly globalised world all pupils and their teachers clearly benefit from opportunities to learn alongside pupils from other cultures and backgrounds. Schools who have a high proportion of children whose parents are migrant workers, or asylum seekers, report how the diversity that their pupils bring has enriched their school communities. Similarly pupils and teachers also greatly benefit from the experience and knowledge of teachers from overseas.

The arrival of new children from other countries provides opportunities for children of all ages to learn about empathy, sharing and caring, respect and kindness. Teaching against racism and stereotyping can help develop positive attitudes and foster social and community cohesion.

In recent years, however, communities in a number of areas across the UK have faced significant rates of demographic change—partly due to mass migration. As Jon Cruddas MP pointed out in an article published in April 2007 “The major demographic changes are off the radar of public policy-makers who remain attached to census data that offers diminishing returns in terms of understanding the day to day realities of life . . . In particular communities, the local population grows at a faster rate than the state’s refinancing of public services, as decisions on funding are based on an out-of date formula for resource allocation.”

It is vital that schools are consulted by local authorities and central government in the establishment of funding and other support mechanisms to meet the educational needs of children. It is the educational achievement of pupils in local schools which, of course, will have a significant impact on the economic growth of an area. As Jon Cruddas points out it is the year-on-year information collected via school rolls, more than any other existing data set that can help illustrate the demographic shift in a particular community.

17 Race, Class and Migration: Tackling the Far Right (Jon Cruddas MP, 18 April 2007)
POSSIBLE LINE OF QUESTIONING

What is the proportion of migrants among school teachers in the UK? In what subjects and at what levels of education is the proportion of migrants particularly high, and why? Do you expect this to change in the future?

There is very little data in relation to the nationality of school staff in the UK. There is the equivalent of the pupil level annual school census PLASC data collected for staff by the DCSF but this only asks the question of ethnic background—not home nationality. The only data collected which allows a partial assessment of the number of migrant teachers to the UK is the number of visas granted by the Home Office to teachers from the Commonwealth. There are around 100 teacher supply agencies recruiting teachers from overseas. The OECD in a report published in 2005 estimated that around 10,000 people were recruited to teach in the UK in 2000.

Between 2001 & 2003 there were 12,844 UK Approved Work Permits granted by the Home Office to teachers from Commonwealth countries. The majority of these were from South Africa (4702); Australia (2679); New Zealand (1548); Canada (898); Jamaica (974) and Zimbabwe (547) but also there were teachers recruited from tiny Caribbean and Pacific islands such as St Kitts and Vanuatu.

Between 2003 & 2005 there were 3578 UK Approved Work Permits to teachers from Commonwealth countries. The vast majority of these were from South Africa (979); Australia (1,181); New Zealand (398); Canada (550); and Jamaica (142).

There is, of course, no such data for migrant teachers from EU countries.

What estimates do you have of the changing proportions of migrant pupils in the total number of children at school in the UK? Is there significant variation across regions and between different types of school?

During Summer 2006, the NUT, in collaboration with the National Association for Language Development in the Curriculum (NALDIC), conducted a survey of 170 LAs, 500 head teachers and 58 EMAG teachers in England and Wales to assess Ethnic Minority Achievement Grant funding. Both LAs and head teachers reported an increase in English as an Additional Language needs over the last 18 months. This was in a large part due to the migration of families and workers from the new EU accession countries.

Ninety-four per cent of respondents from LAs18 reported that there had been an increase in EAL and/or EMA need in the last 18 months. This was either due to the increase in EAL students or the changing profile of students due to the arrival of new communities.

The majority of head teachers (55%) responding to the survey19 reported an increase in EMA needs in their schools.

According to DCSF statistics:

| Maintained primary and secondary schools in England: number and percentage of pupils whose first language is known or believed to be other than English, as at January each year 2003–07 (provisional) |  |
|---|---|---|
| Number of pupils | Number of pupils whose first language is known or believed to be other than English | Percentage of pupils whose first language is known or believed to be other than English |
| 2003 | 6,779,930 | 657,300 | 9.7 |
| 2004 | 6,752,670 | 669,480 | 9.9 |
| 2005 | 6,711,420 | 694,470 | 10.3 |
| 2006 | 6,655,620 | 734,550 | 11.0 |
| 2007 | 6,574,560 | 789,790 | 12.0 |

18 Questionnaires were sent to 170 local authorities in England and Wales, in receipt of at least £150,000 EMAG funding for 2005–06. Thirty-six responses were received representing 21% of the sample.

19 Questionnaires were sent to 500 NUT headteachers within the LAs included in the sample. Thirty-one responses were received, representing a 6% return.
On average, how do the costs of teaching a migrant child compare to those of teaching a local child? What research evidence is available on the resource implications of the increased diversity among children at school?

This is an overly simplistic question. A child born in this country may still have English as an Additional Language while a migrant child, depending on his or her particular background and previous educational experience may have a good grasp of English when they start at the school.

There are, of course, increased costs involved. In October 2006 the DFES stated “The cost of teaching English for speakers of other languages will vary between schools however funding is at record levels.”

In 2007–2008 the EMAG grant was £179 million in England.

Few initial teacher training courses focus on the special issues associated with inducting and teaching children from migrant families, and especially those associated with refugee children. However, long they have been teaching, teachers new to teaching refugee children should not be expected (nor should they expect themselves) just to cope with the new demands on their teaching skills.

The teaching materials and resources in many classrooms may not be sufficient or suitable to meet the needs of refugee and/or migrant children. Improvisation is a strength amongst teachers but they should not be expected to continually “reinvent the wheel”.

There is an enormous demand for materials by teachers. The NUT’s advice to teachers new to teaching children from refugee and asylum-seeking families “Relearning to Learn” is, some 150,000 copies later, now out of print.

The NUT has also run CPD courses in areas which address issues to combat racism and discrimination where the pupil population is predominantly white. The course in the form of a day long conference “The Other Side of Silence” has been extremely popular—for example the one held in Bristol attracted over 200 teachers.

Has additional government funding been adequate to deal with the increased numbers of migrant pupils? When a school experiences a sharp rise in pupil numbers due to migration, how long does it take for the extra government funding to come through?

While the Dedicated Schools Grant, based on data from school rolls, may be relatively responsive to changes in pupil numbers even the DCSF acknowledges that “the spend plus method of distribution does not readily recognise changes in the numbers of pupils with additional educational needs”. The current funding levels and mechanisms to support schools in meeting the educational needs of minority ethnic pupils are out of date and inadequate.

The grant is devolved to schools annually on April 1st, through a locally agreed formula based on the Annual Schools’ Census. If a pupil arrives at the school after the Census date the school will have to wait until the following April to receive any funding for that pupil.

The mechanism of funding for the achievement of minority ethnic pupils through the Standards Fund should be re-examined, as the current system is preventing LAs from planning strategically. The inability of LAs to make long-term plans has caused logistical problems for schools in meeting the needs of minority ethnic children, refugees and pupils with English as an additional language. The situation has also had a detrimental effect on EMAG staff, causing low morale and resulting in specialist teachers leaving the profession with the consequential loss of expertise.

The Government should make arrangements for a separate national fund for the education of asylum seeking and refugee children as well as for children of migrant workers. Since increases in pupil mobility and unexpected increases in asylum seeking families have occurred in some areas, it is recommended that the fund be a ring-fenced grant, held centrally by the DfES for LAs to apply when unforeseen need occurs.

The National Union of Teachers has campaigned consistently for the stability, security and coherence of race equality funding and for sufficient levels of funding to be maintained. As a result of this sustain campaigning the DCSF have introduced an Exceptional Circumstances grant to help address the needs of LAs who face significant increases in their proportions of EAL pupils.

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20 Relearning to Learn (NUT 2002)
21 The NUT has held 10 day long CPD conferences entitled The Other Side of Silence in predominately white areas of England and Wales. Each conference/course session has cost around £3,000.
22 School & Early Years Funding Arrangements 2008–11: Explanatory note for local authorities (School Funding Unit, DCSF, 13 September 2007)
The NUT was concerned that despite a commitment by Charles Clarke, the then Secretary of State, in 1998 the future of the Ethnic Minority Achievement Grant may be in jeopardy. The Government has just announced its school funding allocations for 2008–11 and it has maintained the EMAG grant which will be a considerable relief to schools and authorities.

Dr Dobson said in her written evidence that many asylum seekers and migrant families in low-paid employment move from place to place in the early part of their time in the UK. Such children may stay only a few weeks, or even days, in one school. How does this high pupil mobility affect the schools concerned and what are the resource implications?

See response to previous question.

How do schools view the teaching of children of illegally resident migrants? Are schools generally aware of the immigration status of a child’s parents?

A teacher and head teacher’s first priority is to the well being and educational achievement of the child; their interest in the child’s immigration status is a poor second. Schools would be more concerned with a child’s human right to education rather than the immigration status of a child’s parents.

In addition local government advice states that “all children have the right to be safeguarded from harm and exploitation regardless of their:

— race, religion, first language or ethnicity;
— gender or sexuality;
— age;
— health or disability;
— location or placement;
— any criminal behaviour; and
— political or immigration status”.

Arguably the only valid reason for a head teacher to question the immigration status of a pupil would be in the case of a planned school visit abroad where current passports and appropriate visas would be necessary. The Asylum and Immigration Act 1996 requires all employers in the UK to make basic document checks on every person they intend to employ before that individual commences work.

Are there any changes you would like to see in Government policy on the education of migrant children? Are there any other comments you would like to make about the economic impacts of immigration on schools?

As already stated above, the Government should make arrangements for a separate national fund for the education of asylum seeking and refugee children as well as for children of migrant workers. Since increases in pupil mobility and unexpected increases in asylum seeking families have occurred in some areas, it is recommended that the fund be a ring-fenced grant, held centrally by the DfES for LAs to apply when unforeseen need occurs.

**Economic Effects of Immigration—Teachers**

Overseas trained teachers, both individually and collectively, make an extremely valuable contribution to the education system. They are not, however, always granted the necessary corresponding rights and benefits which match their input and commitment.

The NUT is aware of two main categories of teachers who have trained overseas and migrate to the UK. A number of overseas trained teachers (OTTs) choose to migrate temporarily or longer term for personal reasons. The teachers who form this group will be those who are within a national group which is given a level of choice under UK Immigration Law as to the basis on which they enter and remain in the country. Other OTTs, often from national groups which do not have the same level of choice as to their rights within the UK migrate to the UK in response to an invitation from UK based employers and recruiters, in order to fill the gap left by a shortage of domestically-trained teachers.

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What links both groups is the contribution that OTTs make to the education service. The NUT is aware that a number of schools, particularly in London and the South East, are reliant upon OTTs in order to fill the complement of teaching posts.

**The Need for Overseas Trained Teachers**

For a number of years there had been considerable concern in England about the shortage of qualified teachers. A number of factors contributed to the shortage, but the result has been that teachers leaving the profession through retirement or for other reasons have not been replaced by sufficient numbers of new recruits. Both the relevant Government department (currently the Department for Children, Schools and Families) and other agencies have sought to identify the reasons for the shortages and to propose solutions to improve the situation.

As a result of the shortages, teaching has been included on the Home Office list of shortage occupations for a number of years. The shortage occupation list enables employers to apply for a work permit without meeting the requirement of showing that the post has been widely advertised. It could be said that the Home Office has by this means encouraged the migration of overseas trained teachers to England (no work permits have been issued in Wales, some are now being issued in Scotland) because of a lack of domestically trained professionals.

**The Implications for Overseas Trained Teachers**

The Education (Specified Work and Registration) (England) Regulations 2003 mean that, other than in specified exceptional situations, only those who have acquired QTS can carry out "specified work" in schools in England. The NUT supports the principle that QTS should be required for teaching in the UK.

One of the exceptions to the requirement to hold QTS relates to OTTs. By paragraph 5 of Schedule 2 of the Regulations, overseas trained teachers may carry out specified work, i.e. teach, despite not having acquired QTS, for a period of four years.

During that period, overseas trained teachers will be employed as unqualified teachers. The School Teachers’ Pay and Conditions Document sets out the statutory terms of employment and the pay scales under which both qualified and unqualified teachers can be employed in the maintained sector. The unqualified teacher pay scale which is set somewhat lower than the scale for qualified teachers, although school governing bodies are given discretion to pay an additional allowance if they consider that the salary is inadequate in the circumstances. The Immigration Judge who heard a recent case relating to an OTT commented that “As a result there is no incentive for a school I note to assist an OTT in obtaining QTS”.

We have received regular complaints from overseas trained teachers, that whilst employed on the overseas trained teachers route to QTS, they have not received appropriate and sufficient support and assistance, such as mentoring, observation or time off, to enable them to achieve QTS. As a result of such concerns, the NUT has been involved in seeking to support such teachers both individually and collectively.

In addition to the general concerns about the treatment of OTTs, there were particular difficulties faced by some OTTs as a result of a Home Office pilot to allow recruitment agencies to recruit overseas with a promise of a work permit.

**Teacher Work Permits Initiative**

For a limited period of time around 2002, agencies were able to apply for work permits for overseas teachers. This pilot was called the Teacher Work Permits Initiative. During the time of the Teacher Work Permits Initiative, one agency, Teaching Personnel recruited a number of teachers from predominantly Commonwealth countries. The teachers, it was later discovered, had been encouraged to leave their homes and come to work in the UK with promises of good jobs with decent pay and conditions. Teaching Personnel offered to assist with finding homes and with settling the migrant teachers into their new life but the agency failed to live up to commitments it had given.

Some teachers were placed in inappropriate accommodation. One was placed in what was in effect a brothel; many were given Social Services’ bed and breakfast standard accommodation which they were not able to access during the day. It was shocking that these teachers who had been induced to come to the UK to teach, with promises of permanent jobs, secure accommodation and assistance with acquiring QTS, had found themselves in such circumstances. The situation deteriorated even further when the teachers were dismissed for redundancy.
The NUT has represented and supported a significant number of OTT members as a result of this Home Office initiative. Such teachers have been failed by the migration system which is aimed at taking the benefit of the contribution of OTTs without taking responsibility for the impact on the teachers themselves.

In the case mentioned above the Immigration Judge also stated “...and the Secretary of State has from the evidence that I have heard and seen entirely failed to acknowledge the responsibility of his own department in conjunction with what is now the Department of Children, Schools and Families, in specifically recruiting Teachers from abroad due to the shortage of Teachers in core areas in the United Kingdom”.

Commonwealth Teacher Recruitment Protocol

The plight of these teachers had also brought home the need to take further steps to improve the framework under which teacher migration takes place. This work culminated in 2004 with the Commonwealth Teacher Recruitment Protocol.

The particular objectives in seeking to develop the Protocol were to address some of the problems facing teachers who were being recruited from developing countries to developed countries. There was also a need to be able to respond to the concerns of those developing countries who were losing some of their most talented teachers, particularly in such subjects as physics and mathematics, having made great strides in educating and training teachers.

The Protocol seeks to balance the rights of individuals to migrate, against the need to prevent exploitation of the human resources of poor countries and the integrity of the national education systems. It recognises the duty of recruiting countries towards source countries, as well as to the individual teachers involved and sets out best practice in relation to each.

The acquisition of QTS by teachers, and its value to the education systems of source countries, was seen by all as an important part of the bilateral support arrangements.

The Protocol was drafted and agreed by the Commonwealth country Education Ministers at the NUT’s training centre at Stoke Rochford, Lincolnshire in August and September of 2004. It has subsequently been adopted by UN agencies, International Labour Organisation, UNESCO, Organisation of American States and the African NUT. It is now widely recognised as a model of international best practice.

Acquisition of QTS

Earlier this year the Government sought to tighten the “Education (Specified Work and Registration) (England) Regulations 2003” which were due to come into effect in August 2007. This would have meant that it would therefore no longer be possible for OTTs without QTS to continue teaching after four years under any circumstances.

Four years is a reasonable length of time within which qualified teacher status must be obtained by overseas trained teachers (OTTs). Those who are qualified to teach overseas should be able to achieve QTS within that period, as long as they are aware of the need to do so and have access to the means to do so.

Earlier this year the NUT conducted a successful campaign in support of those OTTs had not previously been given the information about the four year requirement and had not, therefore, had the opportunity to access the training necessary to gain QTS. These teachers were facing dismissal and also, in many cases, their permission to remain in the UK. In July the Government announced that for OTTs, about to start, or already on a QTS programme they would grant a one year extension for OTT’s to gain their QTS until 1 September 2008 from the original deadline of 1 September 2007.

27 November 2007
Examination of Witnesses

Witnesses: Dr Janet Dobson, University College London, Mr Steve Sinnott, National Union of Teachers and Mr Mick Brookes, National Association of Head Teachers, examined.

Q333 Chairman: Good afternoon and thank you very much for coming along and helping us with our inquiry. I saw you sitting there, so you will know that at the beginning I say, will you please speak up and speak clearly so we get a good and accurate record of what you have to say. I wonder, as you come from slightly different parts of the world, whether you might just introduce yourselves across the table. Do you want to make anything in the way of an opening statement or shall we go straight into the questions? Straight into the questions. But you might just say, each one, who you are, so we know where we are.

Mr Sinnott: I am Steve Sinnott and I am General Secretary of the National Union of Teachers.

Dr Dobson: I am Janet Dobson and I am a Senior Research Fellow at the Migration Research Unit, University College London. I have previously worked in a local education authority.

Mr Brookes: I am Mick Brookes. I am General Secretary of the National Association of Head Teachers and I was myself a head teacher for 27 years.

Q334 Chairman: Thank you very much. May I start off the questioning? What is the proportion of migrants amongst school teachers in the United Kingdom? In what subjects and at what levels of education is the proportion of migrants particularly high and why? Do you expect this to change in the future?

Mr Sinnott: I should also have said I was convener too of the Commonwealth Teachers' Group organisations that are affiliated to Education International. The first thing, in trying to answer that question, is to say that there is a shortage of data in that area. What data exist come from a variety of sources, all of them inadequate in being able to give a full answer to the question. There is data for the period from 2001 onwards but it only relates to approved UK work permits. This shows a decline in the number of work permits that have been issued for teachers during that period. Further data relates to the qualifications of teachers. This data comes from a piece of research that the National Union of Teachers and the Commonwealth Teachers' Group were involved in and it is based upon a relatively small sample. It shows that, amongst the Commonwealth countries that participated in this survey, the UK was recruiting perhaps fewer highly qualified teachers from across the Commonwealth compared with Australia and New Zealand, for example. Data in this area is very patchy.

Dr Dobson: I said before I came that this was not a subject on which I have any expertise. The only thing I would say is that it is quite difficult to produce information on the achievements of young migrants because schools collect statistics on ethnicity and on language but not on country of birth. Without information on country of birth, you cannot then produce this sort of information.

Mr Brookes: Goal one for the British Council is to improve the accreditation of qualifications from people from all sorts of different countries. Clearly with the influx of children from eastern Europe, it would be good to see those qualifications accredited so we could see a growth in the number of teachers who were migrant teachers.

Q335 Lord Paul: Do you have any estimates of the changing proportions of migrant pupils in the total number of children at school in the UK? Is there significant variation across regions and between different types of schools?

Dr Dobson: I would like to try to answer this though not exactly in the terms that you have asked. Because there is no data on country of birth for pupils, then there is no obvious source to provide an answer from. I have been looking at information on flows of migrants which is quite interesting and it is essential, if we are going to discuss this topic, to have this sort of broad overview. In my submission I included some figures from the international passenger survey. That is a survey where the figures for particular years have a wide margin of error for statistical reasons. There are two interesting things about it. Firstly, it shows that over a very long period UK schools have been taking in substantial numbers of children from overseas, so it is something which is not new, we have been doing it for 50 years. If you were as ancient as I, you would be able to remember children coming from the Caribbean, large numbers of children coming from the Indian sub-continent, and so it has gone on. The other thing that is interesting about these statistics is that it does seem to show that since the mid-1990s, there has been a trend of increase in numbers coming in and a trend of decrease in numbers going out. So cumulatively we are going to have in our schools more children who were born overseas and that is obviously going to have implications for resourcing of things like English as an additional language. I wonder whether you would be interested if I were to say something specifically about numbers coming from eastern Europe. The short answer is that there is no hard data but I was rather astonished to read in the Sunday papers that there are hundreds of thousands going into schools, so I rang up the person from whom this information had been obtained, a perfectly reputable researcher, and apparently the statistics that were being drawn upon were worked out in a rather convoluted way from the labourforce survey for children and young
people aged nought to 19. So it is quite likely that the majority of that number are in the age group 17–19 and those that are not, maybe a third, would be under five and the numbers of school age children cannot possibly be deduced from the figure which was in the newspaper. Then we come on to how we find out. If you look at the most recent accession monitoring report covering the period up to September 2007, only five per cent of those on the workers’ registration scheme had dependents under 17 with them when they registered, and the number of dependents under 17 living with people on the scheme in the UK at that point was 42,105. That sounds great—now we have a figure and it is 42,000—but actually that is at the point they registered. Since they registered, they may have brought their children in, some of them may have gone back to the A8 countries and taken their children with them, self-employed are not on the workers’ registration scheme anyway, and some of the people who are now on the scheme were already workers’ registration scheme anyway, and some of the people who are now on the scheme were already in the UK before and their children may previously have been in UK schools. All that figure indicates to me is that it is likely that the true figure has five figures and not six figures. We are not talking about hundreds of thousands. To try to get a bit more of a handle on it, so we know what we are talking about, I looked at some of the local authority statistics that they have collected and Slough, which has had a very high profile in campaigning for more resources, had 258 children from Poland going into their schools in the 18 months before last January, seven from Latvia, six from Lithuania, and six from Romania. I can quite see that for them it is a real problem finding places for those children but you have to have an awful lot of 258s to make it up to several hundred thousand. Whilst there are important issues for schools about recent immigration from eastern Europe, we must keep a sense of proportion. Just to schools about how many there are. There have been important issues for schools about recent immigration from eastern Europe, we must keep a sense of proportion. Just to finish, we must also remember that the numbers are likely to increase as children join parents who have found work here and as people get married or whatever and have families.

Mr Brookes: I have heard three times now that we do not actually know how many children there are, so the first thing I would say is that we need to find out, in order to make sure that the resources are available for these children coming into our schools; this could be a reasonably simple exercise. Let us ask the schools about how many there are. There have been significant numbers of children and young people coming into our schools, not just from eastern Europe, and we need to broaden this out so it is not just eastern Europe we are talking about. The phenomenon that we have picked up over the past week or so is that whereas usually these children are coming into city areas where there is an infrastructure set up to look after them, quite often, and particularly from the eastern European block, children are coming into rural areas; Lincolnshire has been mentioned in the press over the past few days. Rural areas have two disadvantages in the capacity to deal with a large influx of children. One is that they tend to be amongst the lowest funded of the local authorities and compared with city authorities their amount of money per pupil is far less. Secondly, they do not have the same infrastructure that there is, say, available for children and young people in London. My friend who teaches in a school not a few miles from here has 46 different languages in his school and he is very happy about that, but I believe the shock of numbers of children coming into small rural primary schools, for instance, must be properly assessed. We need to find out exactly how many there are and then we will know whether the resources are adequate.

Mr Sinnott: There are some figures available in relation to pupils whose first language is known or believed to be that other than English and it is available in relation to England with some of the provisos that Janet was talking about. What the figures show between the years 2003 and 2007 for England is that the percentage of youngsters whose first language was known or believed to be other than English had increased from 9.7 per cent in 2003 to 12 per cent by 2007. That is quite a significant increase and perhaps there are some ways in which we can speculate when that increase occurred and where the youngsters were most likely to come from. In the National Union of Teachers too, what we did during the course of 2006 was, working with the National Association for Language Development in the Curriculum (NALDIC), to conduct a survey of 170 local authorities, of 500 of our head teacher members and a number of teachers who work in the area of ethnic minority achievement. What they were saying was that, for them, they believed that, within the past 18 months prior to 2006 94 per cent of the respondents from local authorities reported that there had been an increase in English as an additional language needs or indeed in ethnic minority achievement needs in that 18-month period. Amongst the head teachers, 55 per cent were indicating that within their schools, there had been an increase in ethnic minority achievement needs.

Q336 Lord Turner of Ecchinswell: May I ask another question which is related to that? We were talking about how many migrant children there are in school as one measure of the extra resources required but can you comment upon how much extra it costs to deal with either a migrant child or a child whose first language is not English, whether they are migrant or not, because the data would presumably come in that fashion? What do we know about what we think the resource implications are? Whatever the figures are, if the figure is 70,000, what do we then have to
multiply it by to work out the resource implications of it?

Mr Brookes: It depends upon the child. If you have a child who has a rudimentary understanding of English but is also a refugee child, it may well be that that child is coming into this country and into school in this country having witnessed untold horrors. Therefore the cost of properly making sure that that child is looked after is very high in terms of counselling, in terms of having personal support in school and of course having English as a second language, making sure that they have got that support. There will be other children who are coming into school who already have a reasonable command of English and so the cost there will be the cost of any child coming into school, bearing in mind that there is going to be a culture shock for the child in coming into a totally different community and there is a variation between them. Bearing in mind that £1,000 per child will buy you only slightly more than three weeks’ teaching assistant support, we need to bear in mind the overall figure of EMAG money, which I believe is set to rise to £187.6 million in 2008, and a fairly simple sum could be devised by looking at amounts per pupil.

Q337 Lord Turner of Ecchinswell: Is that figure, this ethnic minority achievement of grant, as it is allocated to schools or local authorities or regions, based on a per capita amount? Underlying where that figure comes from, is somebody making a per capita assumption?

Mr Brookes: We need to make sure that that amount of money is both adequate but also that it is targeted properly. So I come back to our observations about rural areas: is the EMAG money coming through into those rural areas? Is there access from schools for that money? We need to make sure it is properly targeted; we need to make sure the quantum is right.

Q338 Lord Turner of Ecchinswell: I am asking very specifically whether at the moment, in terms of the way that money gets divided up, it is divided on a proportional to number of people basis. Is that the matrix?

Dr Dobson: Do you mean at government level or local authority level?

Q339 Lord Turner of Ecchinswell: Within the Government down to local authorities and within local authorities down to schools? Does somebody have an assumption that it is X thousand per child and they count the children or is that just not there?

Dr Dobson: I do not know whether my colleagues know. I telephoned someone in a local authority yesterday to see whether they could illuminate it and they said they did not know. It was very opaque; some authorities this year seem to have got more, some the same and some less and they are not sure why. Somebody in the relevant government department must know.

Q340 Lord Griffiths of Fforestfach: I should like to address my question to Dr Dobson and her paper. You gave us, first of all, very interesting statistics about the flows of immigrant children and in particular the way in the 1980s they were much higher than they have been in the last ten years. Then you say that this demands more resources and if you have more mobile pupils that demands more resources. You then list five benefits to schools and society from immigration. You seem to be saying that immigration by and large is a benefit to schools and to society but there are two problems. The first problem is that there is not enough money and more resources should be made available. Secondly, you are saying that in terms of the timing of the funding a head teacher might find that within his school there is a substantial increase in pupil numbers but because of bureaucracy the funding does not come. Am I right in thinking that is the thrust of what you are saying, that immigration is fundamentally a good thing and the only problem is that we lack resources?

Dr Dobson: What I was trying to do was to present a balance. There are problems for schools associated with immigration and some schools find it much easier to manage than others and the schools which manage best have a very positive attitude to what they are doing. You go into the school and it has a brilliant atmosphere where everybody is thriving. At the same time you have to balance it against the other side of the picture, so I am trying to say that there are swings and roundabouts.

Q341 Lord Griffiths of Fforestfach: What is the downside, which I did not pick up strongly in what you say in here?

Dr Dobson: I suppose the downside, since we are all discussing the cost of immigration, is that you may have to spend more money to get whatever benefits derive from it. In order for schools to do a good job, they have to have the resources they need to do it.

Q342 Lord MacGregor of Pulham Market: Dr Dobson, you said in your evidence that many asylum seekers and migrant families in low-paid employment move from place to place in the early part of their time in the UK and often quite quickly and that such children may stay only a few weeks or even a day or two. How does this high pupil mobility affect the schools concerned and how big or small an impact is it? Is it highly localised and in that case a comparatively small effect or is it more general than that?
Dr Janet Dobson, Mr Steve Sinnott and Mr Mick Brookes

27 November 2007

Dr Dobson: First of all, I am glad you asked me that because I wanted to give a supplementary response to what my colleague said about the cost of educating migrant children. There are all the things he talked about but there is also the cost just of admitting, welcoming, inducting, assessing each new pupil who arrives. If you have a school, as in one or two schools where I have worked, which takes in 120 or 150 children at non-standard times in the course of a year, for every one of those children you have to go through this same process which often involves several members of staff, a lot of time for senior management, time for classroom teachers, time foradministrators and then off they go again. Yes, it does have this very negative impact in terms of diverting resources.

Q343 Lord MacGregor of Pulham Market: Is it mainly in metropolitan city areas or does it also impact in rural areas?
Dr Dobson: The rural area problem is something relatively recent. Perhaps what we ought to say, to try to get an overall perspective on this, is that most migrant children from overseas are still going into schools in towns and cities. There are two things which have changed over the last few years which affect the school system. One is the dispersal of asylum seekers; there are places all round the country which either have never had migrant pupils before or never had so many. Then there is the impact on certain rural areas, which again is something new. Overall the majority of children still go into schools in towns and cities. In answer to your question, yes, it affects some cities, parts of the country, more than others. Over a very long period, several decades, London has received about 25 per cent of the children coming in, the rest of the south-east about 25 per cent and the other 50 per cent elsewhere, although dispersal and east European migrants have changed this a bit. Then within local authorities it tends to be particular schools which really bear the brunt. What happens, particularly in the secondary phase, is that you have certain prestigious and popular schools which fill all their places at secondary transfer, no room at the inn when other children arrive. At the other extreme you have the least popular and prestigious schools, usually the schools the poorest children go to, lots of spare places; the new arrivals go in there. The whole problem is compounded by the fact that the most popular and prestigious schools tend to take children from more stable families, so they do not move, so no vacancies are created later on, whereas the least popular and prestigious schools, who have homeless families, immigrants who have not yet found anywhere permanent to live, children kicked out of other schools, have a lot of movement as well, which creates spaces for new children to be slotted into.

Mr Sinnott: I want to deal with the issue of the movement of youngsters who come from migrant backgrounds. For youngsters who do not come from migrant backgrounds but who come from backgrounds where they are perhaps living in poverty, that sequence of significant movement, of only staying in a school or in a particular house for a short period of time, is a phenomenon there too. If the migrants tend to be from a background in which they too do not have a lot of money, that type of movement is similar to that amongst the indigenous population, if they are living in poverty.

Mr Brookes: May I pick up Dr Dobson’s point? It is very easy to be gloomy about this but quite a lot of my colleagues, particularly colleagues in Lincolnshire, are saying that the influx of migrant children has brought new life into their schools. So there is another side to this. Just to quote from Sir Robert Dowling, who is head of George Dixon International School, he says that the school’s overall performance has improved significantly because of the arrival of highly motivated children from refugee communities and he has used informal recruitment routes to attract teachers from refugee backgrounds and has been prepared to offer on-the-job training. There are all sorts of success stories, which is why this has not really hit the headlines. We just need to emphasise the wonderful work which is going on in our schools to make sure that these children are welcome and welcomed into our schools.

Mr Sinnott: May I give one additional example about going into a school in a London area with a large number of children from Nigerian backgrounds to see them in the breakfast club, which takes place before school, organising a study group for younger pupils within the school? It is quite ambitious and entrepreneurial on their part and having a really big impact positively on the school.

Chairman: That is a very balanced set of answers, if I may say so. Thank you very much.

Q344 Lord Best: Do schools actually know the immigration status of the children that they are taking in? If they do know, does it make any difference whether the migrants are legal or illegal or anything else?
Mr Sinnott: We would say very clearly to our members, if they asked us, that they are teaching children, they are responsible for the education of children, education is a human right and they should teach the children whatever background they come from. That chimes in with the culture and the spirit of teachers and that is the most important point.

Mr Brookes: A child is a child; yes.
Dr Dobson: My impression is that they do not know. I have never asked. They are not interested.
Q345 Lord Best: It does not matter.
Mr Sinnott: That is absolutely right; it does not matter.

Q346 Lord Layard: You have described the situation very clearly. What about policy? Are you happy with government policy on education of migrant children? What changes would you like?
Mr Sinnott: In relation to some funding issues, a significant change has been introduced in the past two weeks, which is that the Exceptional Circumstance Grant has been announced with a not insubstantial amount of money which will better enable local authorities to draw upon funding for circumstances in which there has been a not predictable increase in the number of youngsters in the schools in that local authority. What we do not know is what the ease will be with which schools will be able to draw upon any funding that the local authority has access to and the speed with which that can take place. I described the circumstances in which in some schools they can within a short period of time have a significant increase in the number of youngsters who have needs associated with being the children of migrants and where the resources may be months away, almost a year away before they get the additional money in the school and the necessary resources to support those youngsters. The Government have been listening to what the NUT and others have been calling for and have taken good steps in that regard. There is a need for us to get some certainty into the system ahead of that being introduced in September 2008.
Dr Dobson: If you are asking the question about general policy—

Q347 Chairman: We have got the message about the underfunding, if I may put it that way. Other aspects of the policy?
Dr Dobson: Governments never get the credit for the things they do right. There is absolutely no doubt that over the last ten years the present Government have funded a lot of work in schools to tackle problems of mobility, to manage it better, to provide better support for children with English as a second language, to provide support for refugees and asylum seekers; funding projects to help schools to work out better ways of doing this in liaison with local authority advisers. There is a lot of guidance now on websites and in publications. I would wish, however, that Government would put thinking about migration and mobility at the heart of all their policies. I think the more schools become independent and do their own thing, the less cooperation there will be and the more certain schools will become the repository of the migrants and the poor.
Mr Brookes: Five very quick points: first or all, a clear process for estimating the cost impact of immigration; swift reaction so that resources can be put where they are needed; establishing human resources, particularly where they are not established at the moment; targeting financial resources; and, finally, a review of admissions to ensure that a child is guaranteed a good quality of entry into English schools.
Chairman: That is very good. Thank you very much indeed. You have certainly covered a lot of ground and you have covered it with clarity, so we have understood your view and we are most grateful to you for your assistance to us in that respect. Thank you very much.

Supplementary memorandum by Dr Janet Dobson, University College London

In considering the impact of immigration on schools, the number of children involved is a major consideration. The available statistics do not give us a clear, unambiguous picture of this. However, it is important to be aware of differing definitions of “immigrant children”, which may help to explain some of the variation in numbers quoted.

Immigrant children

“Immigrant” is in itself an unclear term. The International Passenger Survey (IPS) counts as incoming migrants those intending to stay in the UK for at least a year, having previously lived overseas for at least a year. Some children who enter the school system may not be recorded in the IPS as migrants because their parents are coming for less than a year. Others may, for various reasons, stay for a longer or shorter period than stated on entering the country. The total inflow of children into the UK each year includes both British and non-British children, as does the outflow. Some enter the private education sector.

“Children” is also an imprecise term. The age range differs in different sets of data produced for different purposes. The IPS statistics included in my submission to the Select Committee related to the age range 0–14, since comparable data was not available for the 5–16 age group.
The IPS is a small sample survey and the margin of error for numbers of migrant children in any particular year is high. The grouping of data into five year periods smooths annual fluctuations which may be due to sample size or specific events.

To assess the cumulative effect of international migration on numbers of children in schools over a given period, it is necessary to look at outflows as well as inflows. The IPS data suggests that the period 2000–04 saw a higher net inflow of non-British children than in preceding periods.

**Non-British children of compulsory school-age arriving from overseas and joining state schools in the UK**

My evidence to the Committee was concerned with the impact of new arrivals from overseas, particularly non-English speakers, who have already passed the normal school starting age when they enter the UK and who join state schools. Their numbers will be fewer than the next category.

**Non-British children born overseas who join state schools at ages 5–16**

Non-British children born overseas who join UK schools each year will include those who entered the country aged 0–4 and who are starting their primary education at the normal time. In other words, it would be possible for international migration to cease but for there to be an increase in “immigrant children” in schools. Their numbers will be fewer than the next category.

**Children of parents of foreign birth in state schools**

This category includes children born in the UK as well as those entering the country after being born overseas. Given the age-structure of adult immigrants from A8 countries, this could be a burgeoning number. Their numbers will be fewer than the next category.

**Children from ethnic minorities**

“Ethnic minority” is sometimes confused with “immigrant”. An ethnic group is recorded for each child in the pupil-level annual schools’ census (PLASC). Many school-children categorised as “ethnic minority” have parents who were themselves born in the UK. Change in the proportion of ethnic minority pupils in the school population depends to a significant extent on change in the ethnic composition of the young adult population and the fertility of women in different groups. It can also result from changing designation/self-ascription of ethnicity.

**Final points**

i) Children come and go. Not all families put down roots. Even those who do may return for significant periods to country of origin, with disruptive consequences for children’s education.

ii) The number of under fives has major implications for early years provision and associated costs. Given the emphasis of current government policy on the early years, this needs to be taken into account.

*9 December 2007*
INTRODUCTION

While international migration is one of the causes of increased housing demand in the UK, it is one of a number of factors, alongside natural population (demographic) changes, internal migration, and increasing numbers of smaller households.

According to CLG figures, 223,000 new households are projected to form in England every year for the next 20 years. However, in the period 2005–06, only 163,000 homes were built.

In order to address this increase in housing demand we therefore support the Government’s plan for investment in an additional three million homes. We are pleased that the modelling we have done on the need for more affordable homes for rent and Low Cost Home Ownership (LCHO) has informed the Government’s plans to increase investment in new housing.

KEY MESSAGES

— Regional housing strategies appear to be planning appropriately for changing populations and household growth. However, there is continued depopulation of regions with the most spare stock and/or capacity.

— Natural change and household growth is driving much of the increasing demand for housing in the UK. With people living longer and changes to family structures, there is a marked increase in single person households and a corresponding decrease in the average size of UK households.

— International migrants are a diverse group. We need to factor in the demand for housing produced by immigration and plan to produce the housing needed to accommodate people who are playing a key role in our economy and society.

GROWTH OF SINGLE HOUSEHOLDS

Table 1

HOUSEHOLD ESTIMATES AND PROJECTIONS1

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</tr>
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<td>Cohabiting couple households</td>
<td>1,987</td>
<td>2,181</td>
<td>2,605</td>
<td>2,944</td>
<td>3,204</td>
<td>3,424</td>
</tr>
<tr>
<td>Lone parent households</td>
<td>1,591</td>
<td>1,655</td>
<td>1,760</td>
<td>1,830</td>
<td>1,882</td>
<td>1,928</td>
</tr>
<tr>
<td>Other multi-person households</td>
<td>1,421</td>
<td>1,452</td>
<td>1,538</td>
<td>1,629</td>
<td>1,708</td>
<td>1,775</td>
</tr>
<tr>
<td>One person households</td>
<td>6,536</td>
<td>6,816</td>
<td>7,562</td>
<td>8,384</td>
<td>9,200</td>
<td>9,951</td>
</tr>
</tbody>
</table>

1 CLG Live Tables 404
The Economic Impact of Immigration: Evidence

Table 1 shows the changing face of England’s households, with many more single person households forming which is reflected by the decreasing projected average household size. Much of the increase demand for housing is being driven by these unprecedented changes in household formation and the increased life expectancy for UK residents.

The Regional Picture

For eastern and southern England, where net population is increasing, change is spread across the separate components. In London, the pattern is different, and is largely explained by the “young” character of the capital. The patterns of in-migration and out-migration here are well documented. People moving to London tend to be young adults, such as students or first time employees, while those moving out are mostly older workers, retired people and young families.

Table 2

Components of Population Change

<table>
<thead>
<tr>
<th>'000s</th>
<th>Natural Change</th>
<th>Internal Migration</th>
<th>International Migration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>−2</td>
<td>−3</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>North West</td>
<td>3</td>
<td>−4</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Yorks &amp; Humber</td>
<td>5</td>
<td>0</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>East Midlands</td>
<td>3</td>
<td>19</td>
<td>2</td>
<td>24</td>
</tr>
<tr>
<td>West Midlands</td>
<td>8</td>
<td>−7</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>London</td>
<td>52</td>
<td>−84</td>
<td>104</td>
<td>72</td>
</tr>
<tr>
<td>East</td>
<td>9</td>
<td>20</td>
<td>−3</td>
<td>26</td>
</tr>
<tr>
<td>South East</td>
<td>12</td>
<td>8</td>
<td>15</td>
<td>35</td>
</tr>
<tr>
<td>South West</td>
<td>−4</td>
<td>32</td>
<td>5</td>
<td>33</td>
</tr>
<tr>
<td>ENGLAND</td>
<td>86</td>
<td>−16</td>
<td>172</td>
<td>242</td>
</tr>
</tbody>
</table>

Table 2 shows that in the north and west of the country where population increases are smaller, the pattern of net out-migration to other regions is marked. Natural population change does not fully compensate for this, and populations either decrease, or are maintained only by international migration.

What Determines who Gets Access to Housing?

Housing associations work with local authorities to meet local housing needs. Local authority nominations to housing associations are governed by Part 6 of the Housing Act 1996. Nationally, 80% of those housed by associations in Year 2006–07 came via local authorities.

When allocating accommodation, including through a nomination to a housing association, local authorities must give reasonable preference to certain groups, for example people who are homeless, occupying unsanitary or overcrowded housing, or people who need to move on medical or welfare grounds. This is designed to ensure that allocation schemes are needs based. However, a local authority shall only allocate housing to eligible persons and thus need to test eligibility when people make an application to them:

- Certain categories of persons subject to immigration control, or from abroad, are not eligible for an allocation of housing accommodation. This includes for example, asylum seekers; or those with leave to remain in the UK on the basis that he/she will not have recourse to public funds and persons who are in the UK illegally or have overstayed their leave.

2 Regional Trends 39, Table 3.7, 2003
3 Regional Trends 39, Table 3.12, 2001
— Other categories of people subject to immigration control are eligible for allocations, for example those granted humanitarian protection or refugee status or indefinite leave to remain or exceptional leave to remain, where that leave is not subject to conditions requiring him/her to maintain him/herself and dependents.

— EU nationals with a right of residence or EEA nationals who are classified as workers or self-employed are eligible for accommodation via a local authority.

— People coming from the A8 Succession countries\(^4\) are treated slightly differently as they are only counted as workers if they are working and registered with the Workers Registration Scheme, or have been in continuous registered work for more than 12 months.

— People from Bulgaria and Romania are treated differently again. They are only entitled to work here (and count as workers for eligibility purposes) if they are skilled workers or, if unskilled, are authorised to work by the Home Office.

Housing associations record information about every household they house and this gives us a good picture of who is accessing social housing. From April 06 to March 07 the percentage of housing association lettings that went to non-UK nationals was on average 4.3%, which equates to 6,523 of an overall total of 150,522 lettings. Of these an average of 1% of the households said they were an A8 national and 0.9% other EEA nationals.

A8 nationals housed by housing associations were more likely to report a loss of tied accommodation or racial harassment as the reasons they needed housing. Overcrowding is the most common reason given for seeking a housing association home amongst both A8 and UK nationals, though more prevalent in A8 nationals. A8 nationals newly housed were more likely to be in households of two adults or two adults with one or more children and less likely to be single people or single parent families.\(^5\)

**HARDSHIP AMONGST IMMIGRANTS**

Our members report that through the wider work they do to support communities, such as providing community allotments or play schemes, they are seeing non-UK nationals, who through ineligibility for benefits and insecure employment face extreme hardship. This includes people who are ineligible for access to social housing, or unable to secure access because other people are above them on the waiting list and are literally roofless or living in extremely unsatisfactory conditions in the private sector. They are often living in extremely overcrowded conditions or in property that is in disrepair and certainly would not meet the Decent Homes Standard.

This is supported by reports from the Home Office and the Institute of Community Cohesion (ICoCo) in their studies of the impact of migration at local and regional levels. The ICoCo study, based on research with over 100 local authorities, found that in areas of high economic growth many migrants are living in overcrowded properties in poor states of repair, mainly in the private rented sector.\(^6\) Conversely, in areas of economic decline and aging populations, migrants are moving in to vacant properties in decling areas, and the local areas are benefiting from new labour in hard to fill occupations.\(^7\)

CLG statistics\(^8\) show a slight increase in assistance given to homeless A8 nationals by local authorities from 2004 to 2007—up from 0.3% of the overall total of applications in May 2004 to 0.7% in June 2007. In total during the period May 2004—June 2007 the total number of applications made to Local Authorities for homelessness assistance which were accepted by the LA was 902. The number of applications rejected was 1633.

**CONCLUSION**

Housing demand is affected by many causes: population growth, changes in household formation, internal migration within the UK, and immigration.

As a result of all of these factors in combination, the number of households is growing at a faster rate than the number of homes which are currently being built.

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\(^4\) Poland, Hungary, Slovenia, Slovakia, Czech Republic, Estonia, Latvia, Lithuania

\(^5\) Evidence from our regional consultation on the impacts of migration. Home Office Migration Impacts Forum. October 2007

\(^6\) Estimating the scale and impacts of migration at the local level. Institute of Community Cohesion / Local Government Association, November 2007. p45 and p49

\(^7\) Ibid. p45

If we are to take advantage of the possible benefits from international migration, and successfully adapt to the demographic changes which are taking place, housing supply needs to expand to effectively respond to this additional demand.

20 November 2007

Examination of Witnesses

Witnesses: Professor Christine Whitehead, LSE, Ms Helen Williams, Assistant Director of Neighbourhoods, National Housing Federation, Mr Mike Hardy, Managing Director, Longhurst Homes and Mr Adam Sampson, Chief Executive, Shelter, examined.

Q348 Lord Wakeham: Good afternoon and thank you very much for coming along to give us some of your time to answer some of our questions. First of all, can I say that I am very grateful to you for the written evidence that you have given and you are perfectly entitled to assume that the Committee has read your written evidence and therefore there is no point in repeating it? I say that because we have three lots of witnesses this afternoon, which means that we are a bit more pushed for time than we normally are. I am always told to say to you and to remind ourselves that it is highly desirable that you speak up and speak relatively slowly so that we get an accurate account of what you are going to say to us. I will ask you first of all whether you are happy to go straight into the questions or whether you want to say anything as a preliminary statement. You are happy to go straight into the questions? As this is being televised I wonder if you could introduce yourselves before we start.

Mr Sampson: Adam Sampson. I am Chief Executive of Shelter.

Professor Whitehead: Christine Whitehead, Department of Economics, LSE.

Ms Williams: Helen Williams, National Housing Federation and the membership body of Housing Associations.

Mr Hardy: Mike Hardy, Managing Director of Longhurst Homes.

Q349 Lord Wakeham: If I could start by asking you: what role does immigration play in the increase in household formation in the United Kingdom, in the short term and in the long term?

Professor Whitehead: I think I had better start on that. Immigration is clearly one of the areas where there is most uncertainty about the projections of households. The work which Alan Holmans and I did last year, produced on a slightly difference basis from the Office of National Statistics by taking as our base no net migration rather than zero, which means a difference in household composition, suggested that over the next 15 or 20 years we were talking about 25% of the additional household formation being associated with immigration. The new population statistics which came out about a month ago do not have household formation figures associated with them as yet, but it would suggest probably that that figure might have gone from 25 to 28%. Obviously it is very different regionally and in London in particular, where taking that net household formation figure, it comes out at over two-thirds. But given the inflows and outflows to London, it is still the fact that the indigenous population is having more children, which is pushing up the outcome.

Q350 Lord Vallance of Tummel: Do you have any specific estimates for how immigration has affected house prices and rents in the UK, particularly at the lower end of the market? And again if you could distinguish between the regions that would be helpful.

Professor Whitehead: I do not think that we can directly say that immigration causes it; they are part of housing demand. In general, migrants, like for like, demand less housing than the indigenous population and the ones that demand more housing or in the upper end, which are the ones that come from rich countries and are relatively well paid, tend to turn over relatively quickly. That group of households will start demanding less housing than an equivalent indigenous person, but they will leave before they get to the point where they look exactly like the others, if that makes sense. We did our analysis in relation to types of country, richer asylum-seeking countries and poorer countries and the definition is in this book, of which you have had a copy1. Those form poorer countries tend to stay longer but they also tend, until they have been here for about 15 to 20 years, to demand less housing than the indigenous population; they become like the indigenous population in around 15 to 20 years. So it takes a while. How much effect do they have? Obviously they are increasing the number but not as much as an equivalent indigenous person does. At the top end of the market, which of course is changing rapidly at the moment and is difficult to assess, there is very clearly an impact of international demand. Some part of that is from migrants, some part of that is from people who are domiciled abroad and some part of that is from corporate investment where no individuals may be involved. So at the top end of the market, migration is affecting it but it, is part of a

1 Note by witness: London School of Economics, “The Impact of Recent Immigration on the London Economy” (July 2007)
much broader story of increased investment demand of one sort or another. At the bottom end of the market, which is what you particularly asked about, the evidence which has come as a great surprise to us, and where I think we very much want to hear what the qualitative impact is, is that private rents have not been rising to anything like the extent that we would have expected, even though inward migration has been increasing, and that is particularly true in London. So private rents have fundamentally stabilised in real terms—that is being a little careless—in the new century, whilst of course house prices have been going through the roof. That says that the pressure from migrants is not increasing demand as much as we might have expected. What we do not know and we cannot know given the data is what the quality of the housing is that is being provided or indeed how many people are living in it. So there are issues associated with overcrowding, with poor standards, which may mean that the real price is higher, but there is no significant evidence of massive pressure in the private rental sector.

Q351 Lord Wakeham: I should have said at the beginning—and that sounded a very comprehensive answer—if anybody wants to add anything, please feel free to do so.

Ms Williams: Some of the evidence, certainly anecdotally, is that the effects are different in different markets, so for example in some areas new migrants have taken up accommodation vacated by students because perhaps in that area new-build accommodation has been made available to students. In some of the housing market renewal areas where there has historically been low demand, it has given a boost to demand in those areas, and as Christine said there is also evidence that rather than consuming more housing it is actually a case of people being more overcrowded in houses and hence why there has not been a straightforward relationship with pressure on rents.

Mr Hardy: I would add, coming from a rural area, that most of the pressure on rents and the house prices comes from inward migration from within the country from one part to the rural locations, rather than from immigration, because there is no evidence on the ground that either house prices or private rents have increased. But to echo what Christine said, there is still evidence of significant use of private sector accommodation for houses in multiple occupation, for which people will pay quite a high price in sharing a room with other people—up to potentially 16 in one place.

Q352 Lord Layard: What has happened to the house prices of the letting accommodation? If that has gone up, then in some sense these people who are occupying the rental accommodation are contributing to the rise in house prices.

Professor Whitehead: Certainly the investment demand for housing has gone up and to that extent prices have gone up. The investment demand is partially caused by people thinking that they can get adequate returns and some of that comes from migrants, but obviously the housing market, particularly in Britain, is a private sector market—it is not owned and let in a clearly separate way. In some other countries the rented accommodation is very separate from the owner occupied accommodation, but not in Britain. So the pressure is coming from people who wish to own. It is also coming from buy to let, and buy to let is very much a right-across-the-board story.

Mr Sampson: I think that is right. Broadly speaking, on private renting the story is that inward migration has supported the private rented market in two respects. First of all, it has propped it up by giving to a large number of people who are willing to rent in fairly appalling conditions in some areas which were otherwise heading downwards. Secondly, there has been inward migration of capital to prop up increasingly a buy-to-let market and what we have seen is foreign investment in, particularly, for example, new build one- and two-bedroom city centre flats, some of which have actually remained empty. But also foreign capital has come into some areas, for example the new-build property in London. So there are areas in the East End of London which were built as owner-occupied family housing, which have been bought up and are being let to multiple occupants on private lets, many of those foreign-investment owned.

Professor Whitehead: To get to the point which you asked about long term in this context, the situation currently is not in equilibrium. It is very clear that you are not making a rate of return on your rents as such, so the fact that the private rental sector has done the job over the last few years does not necessarily mean that it will go on doing the job over the next ten.

Q353 Lord Wakeham: Unless they can get more rent?

Professor Whitehead: Yes.

Q354 Lord Lawson of Blaby: Or they do not expect to get a return from the rent; their thinking is that to a large extent they are going to get it from capital appreciation. That is what squares the circle.

Mr Sampson: That is right.

Professor Whitehead: The whole thing is being squared by expectations and if the expectations are proved to be incorrect—as I am sure you have been
Q356  Lord Sheldon: Looking at social housing, the allocation is based on needs. How has the recent increase in immigration affected social housing among low-income groups in the United Kingdom? How do you expect demand for social housing, from particularly Eastern European migrants, to develop in the future?

Ms Williams: I have looked at the current picture in housing association property. You may know that about 70% of people who are housed by housing associations come through nominations through local authorities, and other people’s through referrals from other agencies and direct waiting lists. So when I looked at the position last year, for 2006–07 4.8% of the lettings as a whole went to non-UK nationals—that is people who identified themselves as that, so some of those people will have been in the country for a number of years. Looking at new migrants, in particular from the A8 accession countries, that was 1.1% of the new lettings. So currently the numbers of new migrants accessing social housing are not large—last year it was 1,101 lettings out of a total of over 108,000.

Q357  Lord Paul: The written evidence from the National Housing Federation suggests that many migrants are living in overcrowded properties in a poor state of repair, and that is mainly in the private rented sector. Do the housing conditions of migrants differ from those of British nationals with comparative incomes? Is there a significant variation across different migrant groups and, if so, why do you think this is?

Ms Williams: I think we are all in accordance that what the NHF has cited and what has emerged out of the Joseph Rowntree Foundation fairly recently is a reasonably accurate picture. Certainly one of the reasons why the influx of migrants has not had such a deleterious effect on housing availability as it might have done is that they have been absorbed in greater densities within existing private rented property. So we now do have a phenomenon in many of our towns and some of our rural areas of densely overcrowded migrant workers. Some of those will be in tied accommodation—and I am sure that Mike will talk about this in a bit—but many migrant workers too choose to occupy, so far as we can tell, severely overcrowded accommodation. I think we would suggest that there are broadly two different groups of migrants arriving. One is a group that is intending to settle here permanently and therefore their aspirations are to occupy similar housing conditions to everybody else. The other is a group who regard themselves as being short term interim residents, whose business model—for want of a better expression—is to maximise their profit from their experience in this country and send as much of their money home as they possibly can. Under those circumstances they are willing to tolerate quite appalling housing conditions because that means the rents are very low.

Mr Hardy: It is still a relatively short term phenomena. I think everything is relative. Rents, for sharing a room in one of those houses in multiple occupation, are nowadays in the region of £60 to £65, so that is still taking a fair amount of somebody’s net disposal income. From the rural evidence there is increasing use made of houses for that use, for multiple occupation, and when people do, when they stay for any length of time and aspire to stay longer, they will look to move on from the accommodation.

Mr Sampson: There are negative impacts plainly of allowing that type of overcrowding to exist, even leaving aside the fact that some people will choose to occupy in those ways. Plainly, massive increase in the population density in particular geographical areas has effects. It has effects on neighbours, it has effects on localised house prices, and it also has effects on demand on services in a particular area. There are also issues such as fire risk, health risk and so on and so forth, which go beyond the needs of the immediate occupants. Plainly, local authorities do, under the 2004 Housing Act, have a duty to regulate houses in multiple occupancy, but in many cases they have neither the resources nor, in some cases, the ability to do that very effectively.

Mr Hardy: And certainly that is borne out in our experience in the rural locations.
Q358 Lord Turner: Can I ask for one clarification? You said that big increases in the population density in particular areas might have a localised impact in house prices. Were you meaning positive because eventually it does spill over to an economic effect, or negative because the neighbourhood has become less desirable? Which way round did you mean it?

Mr Sampson: I meant immediately in a negative way. What you can have is individual areas which are seen as less desirable immediately to people, although in the medium term you might see a positive impact because of increasing economic wealth.

Professor Whitehead: I think in that context that some of the work we did on population mobility as opposed to migration did suggest that migrants were having a very positive effect on neighbourhoods and even more broadly on schools, as well of course as putting pressure on house prices. This was a London-based study and there were a number of very positive discussions about the benefits of the migrant populations in these areas.

Q359 Lord Layard: Can I ask you about tied accommodation? What proportion of migrants, compared with British nationals, live in tied accommodation and how does that vary across the economic sectors and geographic regions? And how do the costs and the conditions of tied accommodation differ from other rented accommodation?

Ms Williams: I do not think we have a national picture on that because the data are not available. There is some kind of local anecdotal data that we can provide on that but nationally we do know the picture.

Mr Sampson: There is the TUC survey of 2005–06 that finds 31% of those surveyed were living in accommodation which was found to belong to and be provided by their employers. So there is some survey evidence.

Mr Hardy: In the south Lincolnshire area, 31% of migrant workers are in some form of accommodation tied to employment and I think there is perhaps the distinction in terms of terminology there that is worth emphasising. Tied accommodation in the old traditional sense would perhaps have been accommodation provided with farm worker cottages, for instance, whereas here we are talking about accommodation with a tie to the way in which the person obtains their employment. In south Lincolnshire, for instance, gangmasters will be the route by which people find work and they will have links to accommodation. So there is a link between the accommodation in which people live and the job, and that is more accommodation tied to employment than tied to accommodation.

Professor Whitehead: I think in that context it is important because the traditional data and statistics are linked to zero rent tied accommodation or nominal rent tied accommodation. There is no suggestion in this context that there is any nominal nature of a rent; it is private sector accommodation that is found for them by the employer, which is a very different story.

Mr Hardy: But can be actually owned by people that the employer knows.

Professor Whitehead: Can be, yes. It has elements of the Truck Acts involved in it.

Mr Sampson: There is a further distinction. Traditional tied accommodation tends to be geographically very close to where people work, whereas what we are describing here is types of accommodation that might be geographically quite remote from where people work. So, for example, if you are picking lettuces in the Sussex strip, which is just south of Chichester, the chances are you will not actually live in Chichester. You will probably live in Littlehampton, which is where there is quite a lot of private renting available, and your gangmaster will provide the accommodation between the two. So it is not very often local to the precise area in which people work, and that means that you have a disjunction between where the economic benefits might be found on one level and where some of the costs might be incurred on another.

Q360 Lord Moonie: What is the proportion of migrants in general, and of recent East European migrants in particular, in the homeless population in the UK? What are the main factors causing homelessness?

Mr Sampson: It depends on which definition of homelessness you are looking for. Because migrants, particularly A8 and A2 nationals, do not have immediate rights into social housing, those that are formally classified as homeless tend to be relatively few, and I think, from memory, there were about 352 accepted as homeless in the last year—A8 nationals; A2 nationals are not yet entitled to be so. So the number of people who are formally accepted as homeless is likely to increase over time as those new economic European migrants gain rights. Amongst the rough sleepers, which is where I think most people tend to conceptualise homelessness, there is considerable data from London surveys particularly to indicate that there is a significant rise in the number of sleepers who are from migrant communities. So a survey done by Homeless Link found that at three-quarters of the homelessness services in London, 15% of all their clients were A8 nationals; and in some cases, say in Hammersmith and Fulham, you have about 50% of the recognised street drinkers, for example, who are from European
migrant communities. There is a particular issue here because many of those individuals will not actually be entitled to housing benefit and the vast majority of the shelters that are on offer to them can only be paid for by housing benefit. So because of their benefit status they are actually unable to access much of the help that is available.

Q361 Lord Kingsdown: Can I ask one question to clarify my mind? You talk about communities being homeless. If somebody comes into this country as an immigrant, is it possible that he will end up immediately by being homeless if he does not know where to go? Or is it that he joins a community and for some reason or another gets alienated and gets pushed out and ends up on the street?

Mr Sampson: There are essentially three routes in. First of all, many—particularly economic migrants from the European States—will arrive in this country in the hope of employment and may not immediately find employment and therefore end up pretty rapidly on the streets. Secondly, some may find employment but, as we have suggested, the accommodation is tied and if they lose that employment or that employment is seasonal or if they fall foul of the gangmaster for whatever reason—and in Shelter we see a lot of people who protested about their housing conditions and the response has been to kick them out—then they will end up homeless. The third thing is relationship breakdown, and by that I mean both domestic relationships—and of course not all the people that are coming to this country are single, some are in families—but people may come across here to say with friends and relatives—and those relationships may break down and they therefore end up on the streets. So three different routes, I would suggest.

Ms Williams: Certainly the research that Homeless Link did, looking at who was accessing frontline homelessness services amongst new migrant communities, found that they were more likely to be people who were roofless and not in work and simply destitute and not able to access housing and less likely to have the entrenched problems and need drug and alcohol advice and support. So in some cases it was quite a short term issue and they had not been on the streets that length of time that maybe other people had.

Professor Whitehead: I think that is an important aspect which we need to stress because we are talking anyway, even among homeless and roofless about very small proportions of the total. But also, as we know from general statistics, a large number of people suffer rooflessness for one or two or three days—short periods of time. A small number of people are in a much worse position and that is normally drug and alcohol related or attributes of their lifestyle types of things. I think these people are somewhere in between that to some extent; they are more likely to have problems in the shorter term. But what we do know is that they are putting significant pressure on long established community assistance groups like the Polish groups that have always been there to help and who are finding it almost impossible to help just because, although it is a small proportion, it is a large number.

Q362 Lord Macdonald of Tradeston: Related to that question, I was wondering if the able bodied rough sleepers that come in as migrants were causing particular difficulties for the traditional rough sleepers, who often have problems with drugs or drink or mental health, and how that is being resolved if there is a dilemma there?

Mr Sampson: I think it is more the other way around, which is that there is a danger that those who come in able bodied, willing to work, become, by association with the groups who are less able to manage, captured by a less coping, more alcohol and drugs-orientated sub-culture. So I have a strong suspicion that that may be the other way around. There is little evidence of too much conflict between the two groups, partly I suspect because the one group does not actually compete effectively for the available hostel spaces because very often they are not able to qualify for those hostel spaces. So I do not think that those groups compete very much. I think the groups who paradoxically do compete are competing for the worst of the private rented sector. We come back to this issue about the private rented sector, the cheap end of the private rented sector, as being the likely destination for the majority of new, or for a large percentage of new, entrant migrants. That is precisely the sector which provides marginal housing—cheap, nasty marginal housing—for the majority of those in housing need. That may be the place where actually the competition plays out. If I think of Slough, for example, where Shelter has a housing aid centre, Slough has one of the largest Polish populations outside of London. Two years ago it was relatively easy for us to find homeless people locations in the private rented sector in Slough. Now it is almost possible for us to do so because those homes are now multiple occupancy for Polish migrant workers. So it may be that is the place where this competition plays out.

Q363 Lord Best: Can I test whether you are coming to two conclusions here, collectively? The first is that the popular idea that loads of council housing, housing association homes are now being pre-empted by migrants and cannot be occupied by the indigenous population is a complete travesty; the facts show that only a tiny proportion are entering
social housing of any sort. They are taking, as you say, the worst and the empty properties of the private rental sector. But is your second conclusion that possibly we are getting to a point where we have filled up that bottom layer of appalling accommodation that nobody else much wanted, and that this may now begin to spill over, particularly the point that Helen was making, and that after a year you gain entitlement to social housing that you do not have for a year, that we may be reaching the break at which social housing will be—and it has not yet been affected in any significant way, but that it will be?

Professor Whitehead: Shall I start with the more statistical area and allow people to do the other area? I think that the popular myth stories like the hoards coming down from the north are very popular myths—they do not exist. What is true is that in the popular discussion there is a massive lack of distinction between migrants, mobile and ethnic minority. Most of the housing statistics are in the context of ethnic minority, many of whom are nationals and have been here for four generations. In terms of the migrants coming into the social sector, foreign nationals—both EU or non EU—are a tiny proportion but a slightly growing proportion. In terms of the filling up—going back to Lord Layard’s point—clearly the general pressure on the private rental sector. The fact that they have been able to fill the accommodation is increasing the demand for housing and is pushing up prices, so there is that general effect. In terms of the feelings of social pressure on scarce resources in general, we certainly found that in London that was an area of concern and that housing was an important part of that, and this was not necessarily at migrants, it was at people coming into the area, which is your point. So, yes the pressure is greater because there are more households, not particularly because they are migrant.

Ms Williams: I would broadly agree with your conclusions there. Certainly current lettings are a tiny proportion to new migrants, though in the future we might expect to see more applicants. I think, if we look at the reasons why that might be, it is because housing association rents are broadly half the rents in the private rental sector; there are issues around security of tenure—there is greater security of tenure in social housing. So you might expect that as more people become eligible alongside other groups on low, moderate incomes, they will look to social housing to meet their needs. When we look at who we are housing currently from the new migrant communities, they are giving reasons that they are currently overcrowded, loss of tied accommodation and in some instances racial harassment as well. So these are the things that are causing current demand—people are looking in some instances to move to improve their housing circumstances.

Lord Vallance of Tummel: May I thank you very much indeed for spending your time with us, and thank you for your evidence both oral and written.

Memorandum by the Migrants’ Rights Network

1. **Introduction and Summary of Submission**

1.1 The Migrants’ Rights Network (MRN) has been in existence since the summer of 2006. Its objectives are to support migrant communities by assisting in the development of networks of groups supporting migrant rights across the country, and to strengthen the voice migrant communities within that structure.

1.2 This early phase of our work has involved contact with over one thousand organisations working with migrant communities across the UK, developing a continuing discussion about the issues they are working on, and considering strategies aimed at strengthening migrant voice.

1.3 The most useful contribution we can make to the Committee’s current inquiry at this point is to set out our understanding of the economic impact of migration that arise from current procedures for managing migration as they fall on migrants themselves. We feel that there should be greater awareness of the impact of current policies, which often work to transfer the cost of the management of migration from society in general and to place a disproportionate part onto migrants.

1.4 A consequence of requiring migrant to pay a heavier cost for their participation in migration is an increase in their vulnerability to exploitative conditions in many parts of the UK labour market. More dangerous still has been the tendency for these exploitative conditions to become structured into the basic working practices of the sectors of employment where migrants are concentrated, and for this to become an enduring feature of the relationship between labour and capital in those areas.
1.5 In the following paragraphs we sketch out the component parts of the new system of migration management which feature as the main determinants of the limitations on the options available to migrants. These are:

- Employment options in a relatively limited range of sectors, with agriculture and food processing, construction, hospitality, health and personal care, and domestic work being typical.
- The role of agencies and gangmasters in managing the relations between workers and employers.
- The undervaluation of the individual characteristics of the workers (qualifications, formal and “soft” skills, etc) and the imposition of the presumption that, because of their nationality, work of a particular type will be most suitable to them.
- A rising cost of entry into and participation in migration, associated with the payment of agents’ fees, accommodation and transportation deductions from wages, and, for non-EEA migrants, of work and resident permit fees, producing dependency on regular and constant work, often at the lowest wages rates obtainable in the sector.
- The underpinning of these tendencies by government policies which seek to organise migration to maximise benefits in the short term to UK employers, and at the expense of other longer-term interests, including the wider community and of migrants themselves.

2. The Concentration of Migrants in Limited Sectors of the Economy

2.1 The MRN’s assessment of current patterns of migration, based on information communicated through out network, is that a much higher proportion is directed to regions outside South East England, and to smaller cities and towns, that has been the case with previous inward movements. The driving force for this development appears to be the increased significance of agriculture and food production and processing as employers of migrant worker. Additional factors include the replacement of native workers who have migrated from medium and small towns to take up employment opportunities in more prosperous regions, living behind unfilled vacancies in sectors such as public transport and other public services. The building sector, a long-standing employer of migrant labour, has also benefited from a prolonged period of booming activity, creating demand for workers in both new construction and home maintenance and repair. Another sector on which we received reports is residential care, increasingly located in provincial and rural districts where skilled and experienced carers are in short supply.

2.2 Drawing on discussions held with migrants working in agriculture, the view has been put to use that the growing significance of migrants is associated with structural changes in the sector, rather than the exercise of individual choice. (Anderson, Ruhs, Rogaly and Spencer, 2006). These structural changes include:

- The concentration and integration of the UK food market through the influence of a few powerful supermarkets. Consequently the demand for fresh, cheap and convenient food sold by supermarkets has contributed to the volume of produce required from horticultural producers in the UK.
- The response of producers to an increased demand varies and includes; the use of technologies that can extend the growing season, the importing of produce from abroad and the processing of produce sourced from local growers. Together with an increase in volume, fresh fruit, vegetables and ornamentals supplied by producers are subject to quality control and labour intensive processes that give additional value to the product. This is compounded by the daily fluctuation in orders from supermarkets resulting from the “just in time” delivery policies of supermarkets. The processing and quality requirements and the just in time delivery policies contribute to the demand for labour providers, as greater numbers of workers are needed and at short notice. As a result there is a sustained demand for temporary workers in horticulture with producers expressing a readiness towards employing migrants.
- An interesting feature of the horticultural and agricultural sectors is the diversity of producers. For some producers production is a “way of life” rather than a “business” whereas clearly for some producers horticulture is a market driven enterprise in which research and development are key to commercial success. Financial considerations and the scale of production may also influence decisions by producers regarding the level of investment and necessity of mechanisation of particularly tasks in horticulture. That said, increasing standards of quality require attention to detail that can only be offered by the presence of workers. It is clear however that work migrants are critical to the UK horticultural sector and therefore their contribution and presence should be felt to be more than reliant but critical as they underpin the sector.
3. The Role of Agencies and Labour Providers in Structuring Migrant Employment

3.1 The task of filling of vacancies in the sectors where migrants are concentrated is amenable to the use of recruitment agencies of various kinds. These organisations will take on contracts to provide given numbers of workers on the basis of set terms and conditions of employment. They will look for recruitment opportunities which maximise efficiency, and this is typically provided by operations which focus efforts on bring workers from abroad into migration. The importance of recruitment agencies is notable in all the sectors where migrants are concentrated, including agriculture and food processing, public transport, public services and residential care.

3.2 The character of the recruitment operation is itself a factor determining the shape and content of migration and its possibilities for development. This is particularly marked in the horticultural sector.

3.3 Studies based on other European countries suggest that agencies play a critical role in managing the differing expectations of employers in sectors where demand fluctuates on a seasonal basis, or where it varies according to peaks and troughs on weekly or daily bases. (Anderson and Wadensjo, 2004) In markets dominated by jobs of this kind, agencies can manage some of the disadvantages of part-time and temporary employment by merging different part-time jobs into the equivalent of a full-time job.

3.4 Agencies also reduce the cost of recruitment by making most effective use of advertising and interviewing resources. This is particularly important when the jobs to be filled are part-time or short-term. They also manage the difficulties that might arise for employers whose business requires them to reduce or chance the composition of their workforce at short notice; a situation which can generate conflicts for employers in terms of employment law and collective agreements. Recruitment through agencies can also reduce other costs for employers, such as national insurance, parental leave, and pensions contributions.

3.5 The strong relationship between agencies and particular sectors of employment means that migrants tend to be over-represented in areas of work characterised by short-term, casual and seasonal employment. The disadvantages associated with long-term employment in these sectors increasingly features as structural impediments to social mobility for the migrant component of the labour force. Migrant workers become cemented into areas of employment with few options for career development, the enhancement of existing, or the acquisition of new skills.

3.6 The MRN believes that policy-makers should be more alert to the need break the linkage between agency-dominated sectors and long-term disadvantage to deal with the danger that the current generation of migrant workers being transformed into the next generation of disadvantaged ethicised minorities.

4. The Undervaluing of Migrant Skills and Institutional Discrimination

4.1 The tendency for migrant skills to be undervalued is most clearly expressed for people whose level of English is regarded as inadequate for the type of qualification for a career relevant to the skill or qualification in question. The remedy is for the level of English to be improved, and many migrants are very clear that they wish to undertake courses where they can do this. However, the nature of the employment which they are in the meantime required to undertake, involving shift-working and long hours, severely limits these options. In addition the concentration of migrants into workforces where English is not likely to be spoke, or spoken fluently, will mean that many will succumb to the natural tendency to seek the company of co-nationals, or others whose language they can speak.

4.2 It is likely that migrants will always be disadvantaged in obtaining recognition of their skills and qualifications at the point of arrival in a new country. But it should not be considered an insurmountable difficulty to put in place reception procedures which identify the labour market integration needs of new arrivals, including their needs for English courses, to ensure that they are able to perform at the level of their skills and qualifications. With advice about integration needs available it could be hoped that the worst case scenario of institutional discrimination against migrants at the level of the labour market might be avoided and marked differences between the career paths of similarly skilled workers eliminated.

4.3 The MRN is concerned that the tendencies towards institutional discrimination, primarily driven by the prevalence of casual employment conditions in the migrant employing sectors, and coupled with the use of agency recruitment and under-valuation of skills and qualifications, is also reinforced by aspects of official
immigration policy and the immigration control regime. The Government has justified its plans to end or change the basis for the operation of immigration procedures for non-work permit migration on its belief that low skill vacancies can be met by recruiting workers from the EU accession states. There is a real danger that in taking this approach the authorities are creating a system of entry which limits options for work outside the low skill sectors and which, when combined with the structural character of migrant labour markets, generates further barriers to social mobility for migrants.

4.4 In our view it is not enough for the government to say that—with the exception of Bulgarians and Romanians—no regulatory barrier to work outside the low skill sector is being created, and that all other EEA nationals will be free to take whatever employment for which they are qualified. The experience of post-war Commonwealth migration shows that formal freedoms to work in better-paid and more prestigious employment can be limited to a very large extent by structural features of labour markets which make an association between ethnicity and job opportunities, which then become very difficult to change in the years that follow. There are strong reasons to be concerned that similar forms of institutional discrimination are being generated in migration management procedures today which could have the same long-term consequences.

5. **The Rising Cost of Entry into Migration and its Consequences**

5.1 A further aspect of migration management which produces an economic impact on migrant concerns the rising cost of entry into labour migration procedures. Whilst these have been reduced for nationals of the EU25, they are burdensome for other migrants controlled by the Immigration Acts. Visa fees for migrant workers, currently set at £200 for most categories, are not the biggest expense incurred. The VAF2 visa application form is 14 pages long, lists nearly 100 questions, and can require around 20 items of supporting evidence to be adduced in support. Very few prospective migrants will be confident about their ability to fill in these forms without the assistance of people who purport to be experts in the field of UK immigration law and policy, thereby incurring additional costs which typically rise from the £500 to £1,000 mark. The requirement to have an employer to sponsor most categories of labour migrant will usually mean obtaining the services of a gangmaster or other labour providing agent, with the unscrupulous charging additional fees to the workers seeking employment. The net effect of these measures is to generate costs of around £1,500–£2,000 for permits which might only permit period of employment of one year or less. This is a very heavy expense which for many migrants can only be borne by taking out loans at high rates of interest, thus generating more costs.

5.2 Those familiar with migrant communities with a high proportion of undocumented workers in their ranks frequently cite the burden of indebtedness as a reason why individuals will overstay their periods of leave to reside and to seek employment which are forbidden to take by their immigration status. In our view it is no accident that the acknowledged rise in the numbers of undocumented migrants in the UK in recent years has come at the same time as the roll out of managed migration, with its associated increase costs of entry into the labour market.

5.3 Though this has not been considered by government, we feel that a contribution to the reduction of overstaying and working in breach of conditions could be usefully made by reducing the current level of visa fees, simplifying visa application procedures with briefer and more easily comprehensible forms, and the ending of the requirement for employer sponsorship for all categories of worker where prompt entry into paid employment can be safely assumed. The consequent reduction in the cost of economic migration as it falls on the migrant can be expected lower the need to resort to overstaying and work without permission, with the burden of indebtedness having been greatly reduced by these measures.

6. **Conclusions: The Need for a Better Balance Between British Interest and Migrant Rights**

6.1 From the standpoint of migrants, the system which prevails in the UK too often looks like a mechanism for displacing a high proportion of the costs associated with the management of migration onto the migrants themselves, whilst wider British society appropriates to itself most of the benefits. The commitment on the part of the government to continual overhaul of immigration procedures has the effect of increasing uncertainty and inclining more and more migrants to the view that if they are to obtain any benefit from work in the UK, it will be because the rules and regulations are bent, if not actually broken, and the immigration authorities dealt with as a unsympathetic and hostile intrusion into their lives.

6.2 The most pressing need for the period ahead is an engagement between the public authorities and employers in the sectors of the economy where migrants are concentrated with the purpose of ensuring that:
— The special needs of migrants are properly provided for in the context of work, in particularly for language training and recognition of qualifications and skills; and
— Current patterns of migration are not structured into rigid, unchangeable destinies which confine migrants to low paid and low prestige sectors of employment.

6.3 We are concerned that the government frequently presents its policies as dealing exclusively with the benefits that Britain can get from immigration. In reality this has means operating procedures designed to deliver low cost workers on ultra-flexible contracts to British employers, without proper thought as to the consequences of this approach for wider issues and concerns. The MRN believes that some steps will be taken to redress this situation if assessments of the economic impacts of migration take its economic impact on migrants themselves more fully into account.

5 November 2007

Examination of Witnesses

Witnesses: Mr Don Flynn, Migrants’ Rights Network and Ms Denise McDowell, Migrant Workers North-West, examined.

Q364 Lord Vallance of Tummel: Welcome to you both and thank you very much indeed for spending some time with us this afternoon, and thank you too for the written evidence you have provided. Just a few preliminaries, if I may. You may be old hands at this but if you can speak up and talk reasonably slowly that helps very much in taking a record of the proceedings. As these proceedings are being televised perhaps you could briefly introduce yourselves and then after that if you would like to say a few introductory remarks, by all means say them, but if not we will move straight on to the questions.

Ms McDowell: My name is Denise McDowell; I am the coordinator of Migrant Workers North-West, which has been set up to lead on support for migrant workers and to engage with employers to promote better employment practice for migrant workers.

Mr Flynn: I am Don Flynn. I am the Director of the Migrants’ Rights Network, which is a very new project that has come into existence over the course of the last year, and it is basically a project which is aimed at assisting migrant community organisations and organisations working with migrants to improve their activities through contact, networking and communication with each other.

Q365 Lord Vallance of Tummel: Do you want to say anything by way of introduction?

Mr Flynn: We have made our submissions and we are very happy to respond to questions.

Q366 Lord Vallance of Tummel: I will start. Could we start asking you about the definition of exploitation? What do you mean by that and how widespread is it and what causes it? To curb it, should policy emphasise a reduction in the number of migrants or better enforcement of minimum employment standards or some combination of the two?

Ms McDowell: In my experience, the definition of exploitation is where people are taken advantage of based on their vulnerability, and in this case, with migrant workers, it is of their lack of knowledge about the way things happen within the UK—that includes their rights and entitlement. It is about taking advantage of the fact that people may not have the language skills to be able to either understand their rights or to be able to assert those rights. It is about employers in this case taking advantage of the fact that people are newly arrived in the country and not only do they require work but they also require accommodation, and there is much evidence of the fact that they do take advantage of that by charging for accommodation tied to the employment itself. In my experience, it is very widespread. We see people all the time who come to our offices or that we see in the workplace who, for one reason or another, we feel, are being exploited and that is particularly related to the fact that they are newly arrived within the UK.

Q367 Lord Vallance of Tummel: So would you say then that exploitation was a temporary phenomenon and that once migrants arrive and know the ropes and they develop the language, then they move beyond that?

Ms McDowell: I think if you know the ropes that helps to address some of that disadvantage and the exploitation, but because there is a conscious effort on the part of some employers to ensure that those migrants do not have the opportunity to do that—they know, for example, that people do not have many employment rights in their first year of employment and therefore it is easy to lay somebody off within that first year and know that they have no redress to the law—employers will consciously do that in order to take advantage of that situation.

Q368 Lord Turner: Could I ask a supplementary, which is how far what you call exploitation is related to the legal status of migrants? The point which has been made to us in previous evidence is that it is not just a story of legal migrants and illegal migrants. There is an enormous gray area of people who come...
in on a one-visa status which enables them to work a number of hours networking. But do you think there is a significant problem of what you call exploitation among those people who have full legal rights to be here and to work as much as they want or is it concentrated in people who have little power because they know that they are themselves breaking the law?

Mr Flynn: I think the definition that we use is basically derived from the TUC and the policy studies institute report that was published last year, *The Hidden One in Five*, which estimated that there were in the region of 5.3 million workers earning below one-third of the hourly median wage, and they do not have trade unions to negotiate their terms and conditions, and on that basis were considered to be vulnerable to exploitation. Obviously, not all of those 5.3 million workers were migrant workers and amongst those who were migrant workers some of them had a secure immigration status in the sense that they were European Community nationals for whom their immigration status was not a high level of concern for them. So I think in the first instance the sort of vulnerability to exploitation comes from the fact that there is a sizeable sector of the labour market in which exploitation is systematic—not just for migrants but for effectively one-fifth of the working population. Within that, because of their particular disadvantages and their particular vulnerabilities, our belief is that migrant workers are over-represented within that proportion of people.

Mr Flynn: Our point is that there is a substantial reservoir of workers within the UK labour market who are systematically exploited as vulnerable workers and the statistic of one in five, 20% of the workforce is often cited as evidence of that. There are a whole number of reasons why people find themselves within that particular group of people. One of those reasons is people’s relative vulnerability because of their immigration status. It is not exclusively about the position of migrant workers, but being a migrant worker means that you are more prone to risk of being exploited than perhaps other groups of workers.

Q371 Lord Vallance of Tummel: Can I bring you back to the second part of my question and that is the policy responses, and whether there should be better enforcement of minimum employment standards or whether there should be a reduction in the number of migrants, or what?

Ms McDowell: The evidence is that the people who come as migrant workers are able to find work here, and so I think that the issues about enforcement of minimum employment standards are not just about enforcement of minimum standards but actually that there should be more employment rights in place in order to protect those workers from day one rather than from after 12 months, which is currently the case.

Q370 Lord Griffiths of Fforestfach: If you take a case that, for example, they work in a particular sector where, let us say, there is not collective bargaining, a domestic resident would be in exactly the same position as the migrant. So it is not as if it is exploitation of the migrant. You might say on that basis that it is exploitation but I cannot see that it is specifically of the migrant.

Mr Flynn: I think the mere fact that people are vulnerable to exploitation is not necessarily a deterrent to people migrating or to working in these sets of circumstances. If merely working in poor working conditions was the answer, then in fact nobody would ever be exploited, by definition. Everybody would avoid those sectors of the labour market and they would choose to work in sectors where they did not suffer those disadvantages. The reasons why people find themselves in that position will mean looking at the individual characteristics of the migrants—the backgrounds, what their alternatives are. Migration for a lot of people entering the labour force at the moment is very much a survival strategy. Their opportunities to choose better paid employment, more secure employment is very, very low and in those circumstances they find themselves in a position where they are obliged to take whatever is on offer. There are a number of other
factors which migrants bring with them and are often associated with migrants, which we did go into in our paper, and that is the cost of migration. Our experience in talking to migrants is that often, on their initial arrival into the country, they are burdened from day one with a very considerable debt which arises from the cost of moving from one country to another and obtaining the documents which are needed, and this does tend to mean that people would simply go into the first opportunities for employment which are created for them and they stay there.

Q373 Lord Turner: Could you talk a bit about how well informed you think migrants are about the job opportunities here, the housing opportunities or, indeed, about their rights. Do we have large numbers of people coming on unreasonable, false expectations of the wage rate that they will get or the opportunities that they will get, or do you think that most of the immigrants, particularly the latest wave, are relatively well-informed?

Ms McDowell: I do think that it is mixed. I think that the people who came in 2004 from the A8 countries, when they arrived their experience was one of being exploited from day one, they did not have local networks, they did not know where to get accommodation from, they were not aware of their employment rights, they did not know their locality or the geography of where they were. From that some networks have been established directly, particularly the latest wave, so that some of that information, or the airports and the consulate perhaps have a role to play in providing some initiatives in the UK to make those arrangements easier. From that some networks have been established directly, particularly the latest wave, so that people are better prepared as they arrive. Outside of the EU it is much more difficult and people are much more reliant on informal networks and the Internet and what kind of things they can find there.

Q374 Lord Kingsdown: What determines the migrants’ length of stay in the United Kingdom and how do you assess the proportion of recent migrants from Eastern Europe who are likely to stay in the United Kingdom long term or permanently? We have heard evidence that many immigrants, if I may call them that, become immigrants before their working days are over even.

Mr Flynn: I think as a rule of thumb the simple answer to that question, what determines the migrant’s length of stay in the UK, is the amount of control is that the migrant has over personal circumstances—whether on arrival in the country she is able to meet the objectives that she is set for her particular migration project—and that can take a number of forms. It can be the desire to raise a sum of money in order to pay school fees, college fees, tuition fees in the country of origin; it could be the desire to buy a plot of land or to put a student through education or to pay for an operation for a member of family. Very often the initial part of migration is a distinct project of that sort, and the extent to which the migrant finds themselves in an employment situation where they are able to meet those ambitions, then the likelihood is that it will be a relatively short period of time. There are many other things that can be added to that list: the desire to improve one’s knowledge of English, because that is generally a saleable quality for most people when they go back home; and we can add to that indefinitely. What tends to prolong it is where people find that they are not in control of their situation and they find themselves encountering circumstances which they had not predicted, which they had not anticipated and their need to firstly clear the cost of being a migrant in the first instance, which is a very considerable one, and secondly, to go on and make that extra bit of profit on their migration, is indefinitely postponed. In those circumstances, you start to find that people’s plans to stay in the country for six months only will get extended to 12 months, to two years, and so on and so forth. As far as the Eastern European migrants are concerned, I think the evidence at the moment seems to be that we are probably closer to the former experience than the latter; that because of the age group, the demographic profile of the migrants, because their ambitions are strictly related to projects which relate to their lives back home—completing their education or perhaps gaining life experience that will be useful to them in the jobs market back home—then typically, my experience certainly talking to young A8 migrants, is that two years seems to be round about the extent of their ambitions to be here, and most are probably keeping to that sort of timescale.
Q375 Lord Macdonald of Tradeston: I am sure you have heard of the London Living Wage Campaign which has been organised by the trade unions, the Mayor of London and so on, and indeed has had success in improving the conditions of the cleaners in this very building of Parliament. What kind of priority do you put on trying to persuade employers and their suppliers to improve the wages and conditions for migrant workers, because this London Living Wage Campaign seems to have had quite a lot of success with the major financial institutions, certainly in the City of London?

Mr Flynn: We are staunch supporters of the Living Wage Campaign and I think one of the noticeable features of that is that although the people who stand to benefit from its success are not by all means immigrants, the leading element in it actually has been migrant workers and in particular I think the Justice For Cleaners Campaign, that is prominently associated with the Transport and General Workers Union; its leadership and the bulk of its membership is very much associated with West African migrants. We think that this is extremely important. We think that the real issues to be addressed in terms of managing migration are to ensure that the benefits of migration actually go to people who make the investment in migration; that there actually is a flow of the benefits to people who have come here, they are following their survival strategies, they are following their career paths and career plans. And because it is the case that they are very often disadvantaged in terms of realising those by their own efforts, then it is necessary to operate within a framework of legislation, regulations, policies of one sort or another, that make it clear to employers that when they are employing migrants—or indeed any other group of migrant workers—then there is a public interest in seeing that standards are set and they are maintained and adhered to. So the Living Wage Campaign is a very good example and something that we would like to see operate much more extensively across this whole sector.

Q376 Lord Best: I want to ask something about illegal immigrants, but can I preface it with this question? The television film Ghosts about the Chinese cockle pickers, many of whom drowned—hundreds of thousands of people will have seen this docu-drama. In your much more expert opinion than the film makers, does that accurately reflect a picture of inward migration, the gang masters and the conditions that people face, or is this a little bit of a licence? Many people will have formed their own views of illegal migration on the back of that film, but how accurate a view will they have formed?

Mr Flynn: The first thing to be said is that that is a completely accurate account of the lives of the cockle pickers who were caught up with that incident. As you say, it was a docu-drama and it was very much closely related to the facts of the case. So, whether it is typical I think we are probably talking about a spectrum of experiences that migrant workers undergo and that is, thankfully, probably to one extreme end of it and we fortunately do not have too many examples of that to talk about. But that still leaves plenty of opportunities for the people to be living in pretty miserable circumstances, where they are not in control of their own lives and they are vulnerable to all sorts of exploitation, which I think was depicted quite faithfully in that particular film.

Ms McDowell: What I would add to that is that the gang masters’ licensing authority would say themselves that they were brought about as a result of that, but because they only have jurisdiction within that particular part of food production and processing, those gang masters, those rogue gang masters, all that they did was close up shop and reappear elsewhere in other sectors; and from my conversations with people in the fire and rescue service they firmly believe that there are many workers working in very dangerous and vulnerable positions and it is only a matter of time before something else happens on that kind of scale. Lots of people are living in houses in multiple occupation in very dangerous circumstances where one fire might well have the result that the cockle pickers experienced in Morecombe Bay.

Q377 Lord Best: A lot of that exploitation is because the people are illegal and therefore do not have rights and know that they do not have rights. What do you think about the Government’s efforts to reduce illegal employment and what do you think of the impacts and adequacy of the current enforcement measures against illegally resident migrants and indeed their employers, the gang masters?

Ms McDowell: From my experience, making employment illegal is counter-productive because it effectively sets up two types of employment—a legal employment and an illegal employment. With the legal employment you have rights, you can assert those rights, you have expectations about your wages, etcetera, not just about your pay but also the situation of health and safety, for example. But the illegal employment means that by its nature the people who work in that do not have rights, they are open to exploitation—there are no rules, they can be paid £2 an hour and they can be treated badly and they have no recourse to the law. Our experience is that in the high profile raids that we see at the present, very few employers themselves are actually prosecuted, and the impact of those raids and the prosecutions that arise from those are felt by those migrant workers themselves. So it does not actually make a difference to the employer, but it does make a huge difference to the migrant workers.
Q378  Lord Kingsdown: Can I ask if this accords with your experience? You talk about illegal immigrants not having rights as workers, but what about workers who come in legally, thanks to the operations of a gang master, from non-European Union countries, who have no right to work in this country except through that arrangement. If you come from another European country you can desert the gang master and go and find another job, but the people who do not come from an EU country are, as it were, lost—they are slaves almost.

Ms McDowell: Yes.

Q379  Lord Kingsdown: Is that right?

Ms McDowell: Yes. I think they are slaves. They do not have another place of safety to go to and so they are at the whim of those gang masters or those traffickers.

Mr Flynn: It might also be said that in this particular instance we are not just talking about the conditions which apply to gang workers, but also the work permit scheme very often has the same conditions attached to it, whereby employees are committed to working without a named employer during the course of their time on the work permit scheme, and given the extensive range that is covered by the work permit scheme—people working in care homes, in care professions of one sort of another, where there is evidence of long working hours, anti-social working hours, people not being given time off, being paid low wages, etcetera etcetera, we find very similar circumstances as well where a proportion of the working conditions that exist in that sector also produces evidence of a gross exploitation.

Q380  Lord Skidelsky: I may have misunderstood this but as I understand it the logic of your answer, Ms McDowell is, that one should make every effort possible to eliminate illegal immigrants because they cannot, by definition, have rights of work—they are not allowed to work. So how do you overcome that dilemma?

Ms McDowell: My argument is that if you create the conditions where people are illegal then they are vulnerable to exploitation. If you create an environment where workers can be explicit about the fact that they are working, that they are paying taxes, that they are contributing, then you lessen the possibility of exploiting those workers. Whether you separate that then from an immigration system which looks to deport some people or whatever, it is quite different, but you give people the right to work in order to lessen that ability to exploit.

Q381  Lord MacGregor of Pulham Market: I would like to ask both of you—and it slightly follows on from this—what your views are on the Government’s plans for a new points-based system for managing migration to the UK? Would you like to hazard a guess as to what effect that will have on migrant workers on the point we have been discussing?

Mr Flynn: I think the issue of a points-based system is not so much in the principles but the way that it appears to be being rolled out at the present time. The government programme, when it was first announced that this was the direction that immigration policy was going, the big part of the argument was that it would be a considerable simplification of immigration control procedures, producing situations which were completely transparent both to the migrant workers and to the employers who were working with them, and that the conditions of resident, the conditions of employment and so on would be very, very clear. In fact I do not think there is a lot of evidence that that has happened. The talk about the existence of five tiers within the scheme obscures the fact that there still remain something like 80 different labour migration schemes within the system, every single one of those having its own separate set of regulations and rules, conditions of employment, rights which exist for migrant workers in some instances but are withheld from migrant workers in yet other instances. In our view the reduction in the complexity of the system is negligible under the terms of this scheme. A second feature of it is one of the things which we had appreciated about the direction of government policy over the last five or six years or so has been the growing expertise of the Border and Immigration Agency, as it is now called, which existed in the form of Work Permits UK, in which there is considerable expertise and vast improvement in the efficiency of that department for evaluating the merits of work permit applications and issuing them fairly quickly. Primary decision-making responsibility for the issuing of work permits is going to be taken away from that department and instead it is going to be given to entry clearance officers who are based abroad. I am very much afraid that our assessment of the decision-making amongst entry clearance officers is that it is amongst the weaker sections of the immigration control system.

There is evidence of vast levels of variants between the quality of decisions which are taken from one High Commission or Embassy or Consulate than the next. Recent reports of the entry clearance inspector have indicated that there is a chronic problem of being able to get entry clearance officers to familiarise themselves with the basic immigration rules that they are supposed to be applying; very often they operate on the basis of what they presume is an instinctive grasp of the way that the system operates. Our feeling is that a system that operates on that principle is going to generate a sense of unfairness and injustice about the management of migration, which at some point is going to feed its way into people finding
they themselves in breach of immigration conditions or resistant to the conditions which should be imposed upon them and looking for opportunities to transform their circumstances in arguing with official policy, looking for opportunities for legal challenge or indeed working with people like us in order to see what political pressure could be brought to bear. So these are the rocks and the reefs which I think are potentially in store for the points-based scheme, which suggests that it is not so much a solution as what is very often a continuation of what we know to be long existing problems within managed migration.

Lord Vallance of Tummel: Are there any other vital points that you wanted to make and you have not made during the questions?

Mr Flynn: We are happy with that if the Committee is happy with it.

Lord Vallance of Tummel: Thank you very much indeed for sparing your time and for answering us so lucidly.

Examination of Witness

Witness: Mr Martin Wolf CBE, Associate Editor and Chief Economics Commentator, Financial Times, examined.

Q382 Lord Vallance of Tummel: Thank you very much for sparing your time to come along and answer questions this afternoon. Just a couple of preliminaries, if I may? As we are being televised, if you could just introduce yourself—not that you need any introduction to anyone around here—and then if there are any preliminary remarks you would like to make before we move on to the questions, feel free to do so. Finally—and I know you are an old hand at these things, but if you can speak reasonably slowly and reasonably clearly, that will help very much in doing the recording.

Mr Wolf: I am Martin Wolf; I am Chief Economics Commentator at the Financial Times. I do not have any preliminary remarks I wish to make; I have written a number of things on immigration which you will probably want to grill me on. I have nothing beyond that to say at the beginning, so I would rather respond to questions.

Q383 Lord Vallance of Tummel: Let me start. You wrote last year that the UK Government had avoided serious debate on immigration. Do you think that has changed of late, and what are the main obstacles, in your view, to having an open and dispassionate public debate about the costs and benefits of migration?

Mr Wolf: I do not think it has changed in the sense that I do not think—or at least I see no sign—that the British Government wishes to have an intense debate on this topic. It has certainly written extraordinarily little, given the range it produces on many very important topics, to explore the full implications, which would be my interpretation of the desire by the Government to have a real debate. But clearly a debate has been forced upon the Government by some developments, both in terms of awareness of the numbers—or some awareness of the scale of the immigration that has occurred—and also the awareness that the Government does not seem to know what is happening. So as a result of these developments, which are clearly if not outside its control outside its ken, I think the debate has become much stronger. Why is it difficult to have a debate on this topic? I think that is perfectly obvious and perfectly reasonable and perfectly understandable. For all decent and civilised human beings, it is very difficult to separate the question of immigration, particularly in this country, given its history and the history of immigration to this country, from questions of race relations, the ethnic and racial composition of immigrants, religious composition too, I suppose, unfortunately recently; and that inevitably makes it very, very difficult to have a debate which is civilised and rational, and civilised and rational people therefore fear getting engaged in this. I think this is completely understandable but it seems to me that where we have got to now—and that is the main argument I have been trying to make—we do need to have a reasonably clear policy. I do not think it is possible for any country like ours to have no immigration policy at all and we cannot have such a policy if we do not first debate what we think immigration is for and whose benefit counts and all these absolutely fundamental value and economic decisions.

Q384 Lord Lamont of Lerwick: The Government and the Home Office in their arguments for immigration never refer to the capital that migrants bring with them; they seem completely indifferent to that. I think I am right in saying that that contrasts with the analysis in the United States of the National Research Council, which argues that if immigrants have exactly the same skill distribution as domestic workers and if they brought sufficient capital with them to maintain, in the United States, the existing capital labour ratio, then existing workers would neither benefit nor lose from immigration. Would you agree that in assessing the benefits of immigration one ought to take into account the capital that is brought with the immigrants?
Mr Wolf: I would agree with that very broadly although I personally would think that that relates to the broader point I would make, that their human capital is probably more important than that financial capital.

Q385 Lord Lamont of Lerwick: I am alluding to financial capital.

Mr Wolf: For an economy like ours, human capital very clearly is more than the physical capital. But, yes, broadly defined the capital of immigrants is a very important determinant of how well they do in a country and what they contribute to it.

Q386 Lord Lamont of Lerwick: We have had a lot or argument about the impact of immigration on domestic workers and the level of domestic wages, but would it not be the case, if I can put it this way, if some workers are not, so to speak, harmed by immigration, many of the benefits attributed to immigration—higher profits for manufacturing or lower prices for consumers—would not exist and if there is no reduction in native wages there is no added return to capital and no way in which the share of pre-existing capital and wealth required by immigrants can be provided.

Mr Wolf: Immigrants can presumably, in theory, provide other benefits if they lead to increasing returns of various kinds. For example, the arguments from diversity, the benefits of diversity, which is one argument made for immigration which does seem to me have value, is an argument in an important way for increasing returns. That is to say, by having immigrants in the society, you increase, let us say, the labour force by 10%, you will increase output by more than that because you are in some fundamental way changing the composition. Ultimately what you are saying then is that the factors of production that immigrants are, as factors of production, are essentially different from what you have already in the country, sufficiently different that their effect on total output is more important than relative price effects. Otherwise I would agree with you that, apart from those sorts of arguments, the most important effects are obviously through relative prices.

Q387 Lord Griffiths of Fforestfach: Do you think there are in practice increasing returns?

Mr Wolf: For some immigrants, yes. Difficult to know ex ante but pretty clear ex post. It seems to be pretty obvious that the City of London as it exists today would not exist—could not exist—without a very large number of immigrants, because its multinational character is essential to its success. So that seems to me a pretty good example where there are probably increasing returns. I have never seen any rigorous economic analysis of that but it seems to me a plausible a priori argument.

Q388 Lord Lawson of Blaby: You have on a number of occasions argued very cogently—and if I may quote from one of your pieces—that, “continuation of net immigration on the recent scale is hard to justify.” Indeed, when one looks at the Government Actuary’s latest projections it looks as if it is projected that it will increase. The median projection is a 25 million increase in the population of this country, which is quite significant, entirely as a result of immigration, and presumably largely from the developing world, because a lot of the Eastern Europeans will go back to their own countries. I have not read everything you have written but I have not read anywhere what level of immigration you think would be about right?

Mr Wolf: That is the most interesting question of all. I tended to argue—because I wanted to get around that problem, and that is why I argued for using the price mechanism—

Q389 Lord Lawson of Blaby: But if you use the price mechanism you still have to know how many—

Mr Wolf: No, it is an iterative process. First of all, it is very important to stress that when I made those remarks I made those remarks from the point of view—or the assumption was—of the welfare of the pre-existing inhabitants. I clearly do not wish to argue that in aggregate welfare is not increased because it seems to me very clear that the welfare of the migrants has increased. So there is a very interesting question about whose welfare counts and in this case I was referring to the welfare of the existing inhabitants. In terms of the numbers, the reason—and it does not matter whether we start with a quantity mechanism or a price—I was thinking about it in these terms in that it does seem to me that a number of the externalities associated with large scale immigration—although not all—both positive and negative, can be computed to some degree. We know what it costs if there is additional population with additional housing requirements, with additional infrastructure, additional schooling and all the rest of it. You can define those costs relatively well. So there a minimum additional cost for the society in having additional people in it. It seems to me then that those, as it were, are a floor for the price that you would want immigrants to pay. I would be very interested to see what the market demand would be for coming into this country if you set a price. If the price for the inflow of workers—we are talking about workers, we are not talking about asylum seekers or family reunion—then we could start adjusting the quantities and the price in the light of what then subsequently happens. So without knowing what people are prepared to pay for this, and without doing some work on what you think the incremental costs of additional people are, it is very difficult to set a number. One could do it either by charging for the
work permit initially or you could do it by setting a quantity rather lower than the present quantity and seeing what the price is. Either way, one would get some idea of what the people are willing to pay for this in relation to what margin it costs us to supply the additional infrastructure and all the rest of it, to which I would of course add some allowance for the cost of congestion out of such externalities. It does not seem to me possible, outside such an analysis and such a pricing mechanism, to give an answer in terms of hundreds of thousands or millions— I do not think it would be conceivable. That is why I wanted to see what sort of answers the pricing mechanism would give.

**Q390 Lord Lawson of Blaby:** I am not sure really whether—although the price mechanism approach is an interesting one, not that it has ever been invoked or is likely to be invoked, as I think you yourself have conceded—you really believe it yourself because what you have also written, which seems to me to be extremely sensible, if I may say so, “The focus now should be on bringing in skilled people who are most likely to make a big economic contribution to the country and to fit most comfortably within its norms and values.” But if you are just leaving it to the market you have no idea whether it will be the skilled people who get the permits or those who are most comfortable with the norms and values of this country.

**Mr Wolf:** I would tend to assume that the two are very similar. By and large, the people who are likely to fit in most comfortably to this country are going to be people who have the skills that are also of economic value.

**Q391 Lord Lawson of Blaby:** I agree with you.

**Mr Wolf:** I think one of the best indications that people have skills is that they regard working here as extremely valuable to them. That is an indication that they have a large valuable economic contribution to make. So it seems to me that the price that either they or their employer is prepared to pay for a work permit is a pretty good indication of their actual economic skills. So I find that more attractive than a whole set of arbitrary points, which is where we are going to go, as a measure of what people’s actual economic contribution is going to be. Their skills might actually turn out to be entrepreneurial and not measured in a points system, but if they are prepared to have a go on that basis I would be happy with that.

**Q392 Lord Lawson of Blaby:** I did not make myself clear. What I was suggesting is that it is quite possible that a lot of the permits, if it was your system, might go to employers who just wanted a lot of cheap labour for agricultural, horticultural—

**Mr Wolf:** Not if they charge enough per person. Let us suppose—this is an imaginary figure—that the price of a permit ended up as £30,000 per annum. They are not going to use that to bring in agricultural labour.

**Q393 Lord Lawson of Blaby:** It depends on the return.

**Mr Wolf:** It is not going to be £30,000 a year; they pay that to an English worker.

**Q394 Lord Lawson of Blaby:** When you say that the numbers are too great, I think it would be helpful if you could give some indication, whatever the system by which you reduce it, of what sort of numbers—because you have obviously thought about this a great deal—might be more sensible.

**Mr Wolf:** I think the honest answer to that is that, without doing the work—which I have not done and I have not seen, but it may be that someone in government has done—on the incremental costs and on the wage characteristics and tax generating and so forth of immigrants, I do not think I could give a number. That is part of what I mean by having a serious debate. Somebody actually has to do quite a lot of fairly rigorous empirical work on what it costs us for additional people to be here—and all the infrastructure, congestion and other costs I have mentioned—and what their wage characteristics are, what their lifetime taxes are, whether they stay for all their lives or not, what use they make of the welfare services, there is a whole range of things. Unless you know those sorts of things, it seems to me really very difficult to answer the question what the right numbers are. I have no idea whether we are roughly right. I suspect we have too many now as an inflow, but I am not sure because we have never actually done the work to estimate any of these things, and I certainly could not give a number without that.

**Q395 Lord Skidelsky:** I was going to follow up from that. Would any numbers be sensible? You have argued that the relatively high levels of immigration that have been seen “cannot be founded on the economic benefits to the existing population”. That is to do with the excessively large numbers. We have had evidence from other witnesses that the economic impact of immigration is negligible. Therefore, that leads me to wonder whether the argument about immigration reaches pretty much a dead end when one is concentrating on economic costs and benefits and the real decisions are in some other area—I mean in the norms and values of the society, which Lord Lawson talked about. Given that there is no evidence of any great net benefit—or, the other way round—what should be the criteria for an immigration policy?
Mr Wolf: I have certainly stressed that many of the considerations are non-economic and they clearly are related to what sort of society one wants to live in and what one considers a deep value basis—the advantages of a diverse society on the one hand, the relative homogeneity of values on the other—and also quite clearly an important consideration is that for many of the immigrants it gives huge opportunities and that does not seem to me to be worth nothing either. So all of those are very important considerations. As an individual citizen I may have views about this but as an economist I do not. But I do think that the statement that in aggregate immigration does not have much contribution plus or minus is probably true, given the composition of immigration, which, if you take the whole inflow, has an incredibly diverse composition and many of whose impacts—for instance, we have a lot of highly skilled immigrants and we have a lot of highly unskilled immigrants—their effect on the economy as a whole is going to be offsetting. So the fact that you cannot make a statement about the contribution—and I have been trying to stress the point about the contribution at the margin—that you cannot make a clear statement about the aggregate flow given its composition, does not seem to me to mean that you cannot say anything useful about the contributions at the margin of different types of immigrant. That is why I want some mechanism that allows one to discriminate; that seems to me to be an inescapable part of a policy. So you would then have to ask, if you were taking in very highly skilled immigrants of particular types they are going to have an effect on our society different from those who are very unskilled and you can assess those separately, and I would not be very surprised if you came to the conclusion that the inflows of some immigrants are clearly quite strongly beneficial for a whole host of reasons, and others are less so. So the aggregate statistics again, I would like to stress, are not going to tell you very much about an inflow which has, gross and net, such extraordinarily diverse composition.

Q396 Lord Paul: In your view, what role do you think the economic impacts play in determining public opinion toward immigration?

Mr Wolf: They seem to me to play quite a large part, although they are certainly not the only factor by any means. You have already mentioned, of course, the obvious racial and ethnic points. But I think the sense that a community is economically active, economically productive, hardworking and successful over time, clearly very significantly affects the attitude of the pre-existing population to those immigrants. I can see lots of examples of that including, if I may say so, my own community, because I am Jewish. So it does seem to me that the sense that people make a significant economic contribution to the country is quite an important determinant. I would not say the only one but I would tend to say the most important single determinant of, in the longer run—it is not instantaneous—the attitude of the population to those immigrants.

Q397 Lord Paul: A lot of the time you see that if the economy is very good nobody bothers about it and if the economy goes bad everybody wants to blame the immigrant. How can that be balanced?

Mr Wolf: Both statements are true and they are cyclical and trend. We have not had a bad economy for rather a long time. That, I am sure, has been one of the most important reasons why in practice—and I think that is very attractive—the very high levels of inflow of the last ten or so years have not created huge political problems. I am sure you are right that if we have a significant downturn in the economy, which, the Lord forbid but does not seem to be terribly unlikely at the moment, then the tensions will grow. But at least some of the immigrants that have come recently from the EU, I would imagine in those circumstances are likely to leave, which is the natural safety valve in that case. The Swiss have always managed their immigration in that way. So there is a strongly cyclical element also in the flows.

Q398 Lord Layard: Would you agree that the way we should think about this should be not about the total of immigration but the immigration where we have some freedom of manoeuvre. There are huge chunks, like the EU immigration, which there is hardly any point discussing from a policy point of view because they are going to happen. They are exogenous, except for the Turkish membership which obviously is another issue. But if you are talking about the rest of immigration, this is going to be skilled immigration. It is not an issue whether it should be—it is going to be. So then you come to the question, how much skilled immigration—going back to Lord Lawson’s question—do you want to accept? I cannot imagine that you would want to stop the growth of the City of London by stopping that skilled immigration—and that is the biggest chunk actually of net immigration. The fact that it is temporary is irrelevant. Nearly all these immigrants will eventually go back, but the point is what is, the stock that builds up of the temporary immigrants? That is the main issue on immigration that we are going to have now. The next biggest is Commonwealth people in the schools system. So I am not sure where this leads you when you come to think about the optimal number, and I would suggest that this is much influenced by the wonderful lecture by my colleague, Lord Turner, that the real issue is land. Or, to put it another way, housing. If we are actually going to go down your line of this globalising
world and people are going to come here, the main issue is, can we adjust our housing policy to cope with the larger population, or can we not? That to me is the central question. Would you agree?

Mr Wolf: Would I agree? I tried to suggest—obviously I have failed—in my discussions earlier with Lord Lawson that in deciding a price, which also might be a shadow price, if we are going to get technical about it, of the marginal immigrant, one would want to take into account the marginal costs, and the most important of those, broadly defined, are congestion costs or externality costs and infrastructure costs. Your question about housing is the most important single sub-set. I would say, of those questions but not the only one because there are other infrastructure costs associated with that and externality costs. But it is clearly true, if that is what you are trying to get me to say, that it is not reasonable for a country to pursue at one and the at the same time a policy of making it almost impossible to build new houses and a policy of encouraging a large number of wealthy people to come and live in this country. That point has been made by a number of people, including me. Then the question is, which do I choose? Do I choose not to build the houses or do I choose not to have the immigrants? I think the argument is, since I think there are marginal benefits to the flow of immigrants and since I think there are plenty of fields of this country I would be happy to see built over (but I suspect some of the Members of this distinguished group do not agree with me), for that reason I would be perfectly happy to build some more houses. But clearly if we do not want to build any more houses or schools or roads and we do not want to have any more people using the Underground and all the other infrastructure of our country, then clearly it makes absolutely no sense to allow for an increase in population.

Q399 Lord Paul: Just because the EU is open and the British economy has been very strong, a lot of people come, but they will go as fast as they can as soon as their economy is progressing and they are progressing much faster than today in Britain. I see in India a lot of people now want to go back and work there. The opportunities, et cetera are far bigger than today in the western world. So that is bound to happen. Why are we so concerned about it? It is a natural phenomenon.

Mr Wolf: If the problem disappears in the way you suggest, we will not need to continue to talk about it. I agree with that completely. My own view has tended to be that the total stock of people in the world who are achieving some level of education is extraordinarily large. This country remains a relatively attractive destination for many people. It is a relatively high income country which has many other attractive characteristics, including the fact that it speaks the language that most people learn. For these reasons, I would be extremely surprised if the demand from immigrants to come into this country, even among relatively skilled people, did not remain pretty strong if there were no restrictions and a very large net inflow for the foreseeable future.

Q400 Lord Turner: Can I go back to the question on which Lord Lawson was quizzing you, which was essentially whether one should set a quantity and let the price be the endogenous variable or set a price and the quantity be endogenous, and you basically argued somewhat for trying to set the price and the quantity as endogenous. But you said in order to accept that price one really has to do a lot of work to think out what the marginal costs and benefits are. If we then put that together with the discussion that you had with Lord Layard, if it is the case that actually the most fundamental cost and benefit is to do with congestion and externalities, and actually comes down to some very emotional things about what value one places on open countryside, etcetera, is it ever really going to be possible to set a price, to work out what marginal costs which you attach to that? Or ultimately, in political reality, are we not going to have to set a quantity limit and, if you want a price, make the price the endogenous variable?

Mr Wolf: Let me take it very simply. We seem to be prepared to place a close-on infinite price on the marginal piece of land in this country, as green fields—if not infinite in an extraordinary large number. If that is the starting point for this discussion, then the optimal level of net immigration is zero. So we should have a policy that delivers that. I think choice is completely irrational—

Q401 Lord Turner: Let me ask another question, which is also actually about prices and quantities, because you have described the arguments of business for immigration, which we have heard, in this Committee, to fill labour shortages as no more than a statement of their desire the benefit of cheap labour, and clearly dismissing that is a classic economist way of saying that they are not talking about equilibrium, they are not talking about price adjustment, they are suggesting an arbitrary quantity limit. We have had it put to us, however, that there are some sectors where, as it were, the price adjustment—and this is why it is equivalent to your argument—would be so great that it is almost useful to think in quantity terms. That, for instance, if you look at residential healthcare there may be non-price barriers to native workers being willing to work in that area, such that of course you could have a price adjustment but it would be a huge price adjustment. Do you accept that at all, that there are some sectors where one can meaningfully think in quantity terms and what does that imply through your point of view
on the Migration Advisory Committee, which does seem to have been given a remit to think in quantitative labour shortage terms?

Mr Wolf: I suppose it would be like saying—I have to think about it—that effectively the elasticity of domestic supply of these people is perfectly inelastic.

Q402 Lord Turner: Or extremely high.
Mr Wolf: Extremely low.

Q403 Lord Turner: Yes, I am sorry, extremely low.
Mr Wolf: So what we rationally want to do is to get foreigners in that produce a surplus. Why not? In my case I suppose I would have to think very carefully about the overall effects of such a policy. You are, by definition, in this case, taking away from some relatively unskilled British people the opportunity to earn a great deal more because of the condition we have just talked about.

Q404 Lord Turner: I suppose if there were this incredibly low price elasticity it would be the only case in which Lord Lawson’s argument that there might be a willingness to pay a high rate for a work permit for a relatively unskilled person would apply, so it could still come out of your price adjustment.
Mr Wolf: You still would not pay more than the wage. So since the wage is £6,000 or £7,000 a year, that is the most people will pay and they are clearly not going to pay even that much for a relatively unskilled person. I think it is clear—and was thinking that you might go for this argument in other ways—there may be some cases, which is the way I would put it, that there are no domestic substitutes. It is rather similar to the argument about diversity that we had earlier. If there are no domestic substitutes, which can also be revealed in the price mechanism, as you are suggesting, then it is certainly a reasonable thing to look at the question of whether you would want an exception for those people. My own view has been that except for the diversity point, clearly, for example, there are not many domestic substitutes for a perfect Mandarin speaker. I just give that example. But I am certainly open to the possibility that there are effectively no domestic substitutes. But since nearly all the unemployment of our British-born people is concentrated among the relatively unskilled, it seems to me very depressing to say that among the jobs that we have to have unskilled immigrants to do are precisely those jobs which are relatively unskilled. It is a very depressing statement and I would need a lot of evidence to believe that it is true; but there may be some cases in which it is true. But I would stand by my general point which I put more broadly in my arguments with the business community, that from a national point of view the aim of policy is to make labour scarce and not abundant.

Q405 Lord Lamont of Lerwick: But is not your general point also that the shortages argument is self-defeating? I have in front of me the article that you wrote on 28 January where you say: “The argument from shortages creates an open-ended demand for more immigration: if the UK had a population of 120 million it would still have job shortages and a demand for yet more immigration. The demand could never be satisfied.”
Mr Wolf: Unless you define the shortages argument in a very narrowly sectoral way, which is very difficult to do, yes, I would hold by that view.

Q406 Lord Vallen of Tummel: Could you clear up a practical point for me? There are no other countries, are there, that will use immigration permits as an auction?
Mr Wolf: Not that I know of. This question was asked and I have not had the time to do the research. The answer seems to be the other systems that have used the points systems at the various times. I think that involves the fallacy of central planning. So I would like to try a market mechanism. There was once upon a time no country in the world that used index linked bonds, so I do not accept the argument of the thin end of the wedge. Sometimes one has to do things for the first time.

Q407 Lord Lamont of Lerwick: Can I ask you to comment on what I think you called another bad argument, that immigration will halt the rise in the dependency ratio as the population ages?
Mr Wolf: Unless the immigrants have especially desirable characteristics, like they come here, they work very hard, they go away and they do not take a pension, immigrants have children, they age and in a fairly short period of time—unless they are purely temporary, that is an important point—they become like the rest of the population with all the normal characteristics of the population. So there are some very well known and famous forecasts, done by I think the OECD, which showed that in order to—and this is a fairly obvious point—keep the dependency ratio of the European Union constant through immigration, the population in the European Union, over about 40 years, if I remember correctly, had to rise to well above a billion. Of course, at the margin they can make small contributions if their characteristics are somewhat different from those of the native population, and that is particularly true if, for example, we are talking about people who come here and work for a few years and go away again. But as a general proposition we know very well—and Lord Turner has written endlessly about this in much greater depth than I ever have—that immigration cannot solve the dependency ratio problem.
Q408  Lord Best: Does it make any odds to the value of the auctioning system, thinking of the well being of the nation as a whole, if the employer bidding is the state? If the people who need the workers are paying for them out of taxpayers' money, does that make any odds to the attractiveness of having an auction system? This is the health service; it is social care and whatever.

Mr Wolf: My general view is that the Government should pay the same prices as anybody else for anything it buys, because that is an indication of their opportunity costs or marginal value, or however you like it. So it is clear to me that if the Government is deciding that it is more valuable to have foreign doctors or foreign nurses than domestic ones, and not train them, then it should face the same sorts of prices in determining this as everybody else and in competition with everybody else, and raising taxes for that purpose is essentially internalising that price. It seems to me quite important that we do not any more conscript in any area that I am aware of, and I think there are very good reasons for that, so this seems to me to be a generalisation of that argument. Obviously the implication would be that, properly understood, the cost of greatly increasing our health expenditure, which is meeting that by importing people, is actually costly because it has implications for something we are concerned about, namely the composition of the population. And I think that is a perfectly reasonable thing for the Government to be aware of.

Q409  Lord Lawson of Blaby: Lord Layard mentioned en passant Turkey. It is of course the commitment of the European Union that Turkey should become a member of the European Union and it is the policy of the British Government to support that strongly and it is also the policy of the Opposition in this country to support it. It may be unlikely but given that it cannot be said to be an impossible outcome, what is your view about immigration and the fact that immigrants from the European Union countries have freedom of access, maybe after a brief transitional period, what is your view about that?

Mr Wolf: My view is two stages of a view. The first is the wider question of would it be desirable for Europe and the world if Turkey were a member. I have to say—and I have written quite a bit about this—that I have been very, very torn on this because I can see strong arguments on both sides, but on balance I would favour entry. I do understand the problems. On the specific issue, it would seem to me really inconceivable that one could have Turkish membership with full mobility of labour until very much greater convergence of incomes has occurred than is now the case. It does not seem to me in any way inconceivable, given what is happening in Turkey—but by no means certain—that over, say, 30 or 40 years very substantial convergence will occur and we can be pretty relaxed about free movement of labour. But to accept Turkey—and I think it is very unlikely that Turkey will become a member of the European Union; I think it is almost inconceivable—but if it did, it seems to me quite clear that there would be—everybody knows this—a transitional mechanism that would probably last decades rather than years, in which free movement of Turkish labourers were not permitted, and I think that would be almost certainly the price of Turkish entry, and realistically, given its size and the huge unemployment problems that the country has because of the characteristics of its growth process, I do not see how you could sell this politically in the rest of Europe, of which we are part without those constraints.

Q410  Lord Vallance of Tummel: We could probably keep you here all evening if we had the chance, but we do not. So many thanks for spending the time and answering the questions so lucidly.

Mr Wolf: I look forward to your report on this interesting topic; I am sure I will write about it.
TUESDAY 11 DECEMBER 2007

Present
Best, L
Griffiths of Fforestfach, L
Kingsdown, L
Lawson of Blaby, L
Macdonald of Tradeston, L

MacGregor of Pulham Market, L
Sheldon, L
Skidelsky, L
Vallance of Tummel, L
Wakeham, L

Memorandum by the Institute for Conflict Research

1. There has been a significant increase in the numbers, backgrounds and diversity of migrants moving to work in Northern Ireland over recent years.1 This trend came to prominence with the arrival of substantial numbers of Portuguese speaking migrants to work in the rural food processing industries, and Filipino and Indian nurse recruited to work in the health sector, from about 2001.

2. The trend has accelerated with the arrival of substantial numbers from Eastern Europe since 2004. Recent data indicates that 4% of migrants to the UK who registered under the Workers Registration Scheme came to Northern Ireland, whereas NI has 3% of the UK total population.

3. The new dynamism in migration has in part been generated by a growing local economy and a demand for labour, which cannot be met locally. It has been driven by employers and in particular by the private sector; but it has been able to exploit a desire by people in many countries to seek a better standard of living and develop their and career opportunities.

4. Most interest in the new migration in Northern Ireland has focused on its impact on rural towns such as Ballymena, Cookstown, Dungannon and Portadown, where the new arrivals have had a significant impact on local demographics and employment patterns.2 This submission however, focuses purely on developments in Belfast. These have failed to attract the same levels of attention even though the city has attracted the largest number of migrants of any centre in Northern Ireland and numbers continue to grow. This paper is edited from research commissioned by Belfast City Council and presented to them in May 2007.3

The New Migrant Population of Belfast

5. Belfast has long had a diverse range of minority ethnic and religious communities, the most widely recognised being the Chinese, Indian, Pakistani, Traveller, Jewish and Sikh communities. The 2001 Census data indicates that Belfast contained:

- 21% of the Northern Ireland population;
- 30% of the minority ethnic population (4,310 persons);
- 34% of the minority faith population (1,409 persons); and
- 29% of the total population not born in the UK or Ireland (7,650 persons).

6. However, the patterns of migration and minority demographics to Belfast have changed significantly since 2001. The Northern Ireland Statistics and Research Agency overview of long-term international migration estimates for Northern Ireland4 is based on data from five principal sources: Worker Registration Scheme, work permits; registrations with a family doctor; applications for National Insurance Numbers and school census figures. These indicate that the minimum number of working migrants arriving in Belfast between April 2004 and March 2006 was 4,224 people.

7. However, there are several categories of migrants who are captured by these figures. They include migrants from other EU member states; unregistered A8 migrants; self-employed A8 migrants; dependents; and undocumented migrants. A “guesstimate” of these categories, based on models used for other UK research,

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suggests that a figure of 7,506 new migrants to Belfast between April 2004 and March 2006 is not unreasonable.

8. While this figure may not appear to be particularly substantial in UK terms, it does represent a doubling of the total migrant population of the city in two years compared with the 2001 Census data. And anecdotal evidence suggests that inward migration is continuing to grow.

**Demographics**

9. The available data indicates that the largest numbers of new migrants to Belfast come from Poland, followed Slovaks, Filipinos, Indians, Czechs, Lithuanians and Chinese. There are also substantial numbers of people from other western European countries living in the city.

10. There is some variation of nationalities by employment sector: with health sector predominantly employing Filipinos, Indians and Malays, while east Europeans are more evident in the service sector and construction industry.

11. The data indicates that 61% of new migrants to Belfast are male and 39% are female. There is a higher percentage of male migrants among eastern Europeans.

12. The majority of migrants fall within the 18–34 age range, with relatively few migrants over the age of forty-five. The data indicates that some 16% of new migrants are children under the age of 16.

**Skills and Education**

13. It is difficult to obtain information about the education, skill or language abilities of the new migrant population from official data. Nevertheless some small indications can be gathered from the previous research on migrants. An ICR study from 2003 indicated that all Belfast respondents had a university education. While 85% said their educational qualifications were recognised in Northern Ireland, 15% said they were not recognised here.

14. A 2005 survey of health workers found that migrant staff were well educated and qualified, and had a good command of English. Although 66% of migrants whose qualifications were gained outside the UK said that their qualifications were recognised here, 27% said that they had to retrain before they could work here.

15. Contacts in the education sector suggest there has been an increase in the number of migrants with high levels of education and experience of working in professional occupations arriving in Belfast. It is believed that the motivation for some migrants was not primarily economic, but educational, and once they have improved their English they would return home to further their career.

16. Staff at BIFHE (now Belfast Metropolitan College) noted a dramatic increase in the numbers of individuals attending courses in “English as a Second Language”, from 350 people in 2002–03, to 2,500 in 2005–06. However, the college has seen its budget for these programmes significantly reduced, which will have implications for the process of integration of new migrants.

**Plans and Expectations**

17. Research suggests that there are three broad categories of migrant workers residing in Belfast, and although this is not a fixed or bounded categorization, it may help in identifying the needs and interests of the new migrants.

   — **Short-term migrants**: intend to work in Belfast for up to two years. They have little interest in integrating and see their presence here as transitory.

   — **Medium-term migrants**: plan to work here for an undetermined period, but will return home to work. They are likely to embrace local culture and learn English. This will assist integration and be a benefit when they return home.

   — **Long-term migrants**: move to Belfast with their family, enrol their children in school, have a goal of owning their own home and wish to integrate into society. This group’s needs and interests are very different from the other two and may form the core of more formalised new minority communities.

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18. However, that these categories are not fixed and it has been suggested that the key period for making a decision about returning home or building a life in the new country or location is two years, as after two years migrants have become more established and it becomes more difficult to uproot and return home.

New Communities?

19. The new migrants are different from previous cycles of immigration insofar as the new people have less historic links with the UK and few established networks. It is therefore difficult to consider them as “communities” as such yet, but also important to monitor how they do develop over the next few years.

20. Probably the only new community to be established in Northern Ireland, and specifically Belfast, is the Polish community. The exact number of Poles in Northern Ireland is uncertain, but it has been claimed that there are 9,000 Poles in Belfast. Indications of the growing Polish population are the number support groups, social networks, and shops and bars selling Polish products.

21. Data indicates a growing numbers of Czech, Latvian, Lithuanian and Slovakian people in the city, but these do not appear to have established any community associations and networks as the Polish community has done. Some agencies, including trade unions, have tried to organise meeting with these smaller communities, but with little interest as yet.

Employment Perspectives

22. There are a growing numbers of migrants employed in four main employment sectors in Belfast: construction, health, hospitality and IT. Of the four construction and IT have been the last to embrace the potential for employing migrant workers, but each sector contains a growing number of new migrants within its workforce.

23. Construction: it is estimated that up to 5% of the construction workforce across NI is a recent migrant. The regeneration of Belfast is placing demands and opportunities on the construction industry, which it has been claimed will demand 10,000 new workers over the next few years.

24. Health: there are estimated to be between 1,500 and 2,000 new migrant staff working in the public and private health sector across NI, primarily as nurses, but also as other health professionals and as ancillary staff.

25. Hospitality: the hotel, café, restaurant and associated business sectors appear to be increasingly reliant on migrants and for staff. The relative economic boom in Belfast has helped generate a substantial growth in this sector.

26. IT: increasingly the growing IT sector in Belfast and NI also appears to becoming reliant upon young, well-educated and high earning migrant staff from a diverse range of national backgrounds.

27. A number of migrants also arrive in Belfast without pre-arranged employment or residence. In some cases they rely on family, friends and pre-existing social networks, but often they are self-dependent and rely on recruitment agencies and advertisements for employment.

28. Most recruitment agencies are open to having migrants on their books, while growing numbers of employers recognise that employing foreign nationals is neither unusual nor a risk, but rather has become a routine feature of working life.

29. There is still some considerable exploitation of migrant workers in some sectors. Many support agencies recount regular complaints of low pay, and problems over overtime, holidays and sick pay being recounted. But at the same time, there is evidence that migrant workers are gaining in confidence in the work place and are establishing themselves in the local economy.

30. There does appear to be some contrasts in education and abilities of new migrants registering to seek work: some people are over qualified for the work available, while others do not have the level of English required by employers.

31. Organisations as diverse as Business in the Community, the Trade Unions and the Equality Commission have become proactive in fighting for the rights of migrant workers and educating employers on the needs of this specific client group.

32. There was a strong perception among the business community that the majority of migrant workers were working legally and were in possession of the appropriate documentation. The employers also noted that recent legislation (Gangmasters Licensing Act 2004) made it illegal for employers to source labour from recruitment agencies who operated without a gangmasters licence, but it is unclear how effective this legislation has been so far.
33. There are undoubtedly some migrants in Belfast with an irregular or undocumented status, but there has been little research on this issue. The greatest concern for such people however, is their vulnerability to exploitation, the denial of their basic human rights and the potential for them to fall through any safety net. These areas are the dark underbelly of the new migration and require further investigation and understanding.

34. The pace of change of recent developments means that it is increasingly difficult and less useful to try to generalise about employment practices and issues of concern given the diverse range of skills, education levels and employment sectors that draw upon migrant staff and labour. The experiences, needs and concerns of a highly skilled worker on a permanent within the IT sector are increasingly different from those of someone with limited English and registered for casual work with a recruitment agency. The situation is fluid and varied, patterns are changing rapidly and will continue to change over the next few years.

REVIEW

35. The evidence of the recent patterns of migration to Belfast indicates that they are distinctive and different from other parts of Northern Ireland. The migration to many parts of Northern Ireland has largely been in response to the needs of the food processing, agriculture and rural industries whereas in Belfast it has been a more diverse series of events, which has involved responding to the needs of construction, health, the service sector and high tech industries. But it is also driven by the opportunity offered to the people who are moving: to earn money, to improve their language skills and develop career opportunities.

36. The term “migrant worker” increasingly covers a diverse range of nationalities, ethnicities, skills, employment sectors and personal experiences and as such it can no longer be considered as a homogenous group. Thus there must be some caution exercised when generalising about the experiences and needs of “migrant workers” throughout Northern Ireland.

37. The new migrant population is increasingly internally diverse as partners, family members and children move as well; but also as people become established and children are born here. This means that the focus will in future be less on the work environment and more on social need and service provision in relation to education, health and housing.

38. Although migrants are not a new feature of the social dynamic of Belfast the current pattern of migration is distinctive: in terms of its speed, the numbers of people and the countries they are coming from. This poses challenges in relation to processes of integration, community cohesion, racism and xenophobia. It also poses challenges in relation to meeting the needs and providing appropriate services to the different members of the new communities.

39. There are also concerns within some communities and some statutory agencies about the impact that continuing rise in migrants will have on housing demand and prices in some working class areas.

40. There is an expectation that Belfast will continue to need and attract significant numbers of migrants in the future, but there is also a growing acknowledgement that this is not inevitable and the city will need to develop a strategy to attract and welcome the migrants it is likely to need to continue its regeneration.

41. However, it is also important for employers within the city to acknowledge the needs of the indigenous population and to ensure that there is an adequate investment in training and education for young people, instead of simply relying on important already skilled labour.

42. Although the new diversity has been widely welcomed as an indicator of the new peaceful Northern Ireland, there has also been a significant increase in racism and xenophobia over the past decade, while bigotry and prejudice remain prominent in many communities.

43. The new migration has largely been generated by the private sector and there is a need for the statutory sector and service providers to be more engaged and aware of the range of implications and issues to ensure that there is not a dark downside to the new demographic context of Northern Ireland.

8 August 2007
Examination of Witnesses
Witnesses: Dr Heaven Crawley, Swansea University, Professor Allan Findlay, Dundee University and Dr Neil Jarman, Institute for Conflict Research, Belfast, examined.

Q411 Chairman: You are very welcome to our session this afternoon, and I am sure you are going to give us some helpful information. I am reminded to say to you at the beginning of each session, but as much to ourselves as to you, if we speak up and speak relatively slowly we stand a much better chance of getting an accurate record of what is said. It would be helpful if we start with you each just to briefly introduce yourselves so that that is on the record. I do not know whether you want to make some opening statement, or whether you are happy to go straight on with questions.
Professor Findlay: I have a very brief opening statement.

Q412 Chairman: If you would just introduce yourselves and make your brief opening statement, we will get on with the questions.
Professor Findlay: My name is Professor Alan Findlay; I am at the University of Dundee and population and migration research is my main focus of interest. My brief opening statement is simply to first of all say that I do think the regional dimension of migration is important and I am impressed and pleased that this group is meeting to think about this issue. Scotland, as part of the United Kingdom, is distinctive in two ways, and I just want to mention these two ways. One is that obviously having a devolved government makes it distinctive, but that Government has a distinct policy on migration, called Fresh Talent—which we will discuss perhaps later—and in relationship to that, the Government's economic strategy announced that it had a policy on population, which has got migration implications. That is the first point I wish to make. The second general statement is that perhaps distinctive from the rest of the United Kingdom I would argue that there is a wider public recognition that migration could make an economic contribution. It is hard to provide distinct evidence of public support for that, but I would just mention that last week the Scottish Government and the ESRC had a conference on the topic and this made front page headlines in the national Scottish press. For example, in The Herald we have: “Scotland will need 20,000 migrants a year” and the first sentence reads: “Scotland needs to attract 20,000 immigrants a year to save the economy,” so while there is of course a range of opinion about migration to Scotland, there is perhaps a wider public recognition of potential contribution from migration. Thank you very much.

Q413 Chairman: I really wanted all of you to introduce yourselves to start off with; would you both like to?
Dr Jarman: Neil Jarman from the Institute for Conflict Research in Belfast. We are an independent non-governmental organisation and have been working on migration issues for the last five or six years.
Dr Crawley: My name is Heaven Crawley. I am from the Centre for Migration Policy Research at Swansea University. We are also a migration research and policy analysis institute, working on not only issues to do with migration into Wales but also international migration issues more generally.

Q414 Chairman: If I may pick up on the Scottish question to start off with, you say that Scotland has a policy to attract migrant workers. How successful has this policy been, is there an optimal number of migrants or rate of population growth that Scotland is trying to achieve?
Professor Findlay: To judge the success of a policy, you have to understand what its goals are. Therefore I would suggest that it is important to distinguish the starting point of the policy from its current position. The starting point was in 2004 when the previous Scottish Executive announced that it wished a Fresh Talent policy to be introduced as part of a range of measures associated with anxiety over demographic decline in Scotland, which had been projected. After the election of the Scottish National Party-led government, which is now in power in Edinburgh, there has been a reaffirmation of the importance of Fresh Talent, but the emphasis or the direction or the goal has been linked much more to economic issues, and I think that is important. Again, if I can just quote from the statement made by the Scottish Government in its government economic strategy, it says “Previous approaches have acknowledged that Scotland’s demographic challenge must be addressed. It is clear that Scotland requires a more ambitious target for population growth. Therefore, our target for Scotland is to match average European (EU-15) population growth over the period from 2007 to 2017.” That statement, that target, is set relative to economic goals, so we have a policy and I now want to answer your question directly in terms of the success. Of course it is possible to look at the policy relative to population trends. In 2004, when the policy was announced, Scotland was facing a rapid demographic decline when you looked at the projections. Of course, today the most recent estimates and projections for population announced by the General Registrar’s Office for Scotland, show that over the next 30 years it is projected to have the
highest population that it has ever had historically. Nobody would suggest that that turnaround is associated solely with the Fresh Talent policy. How then can we judge the success or otherwise of the goal set in 2004? I would suggest that perhaps there are two ways that we might do that and the first would be to think of the policy as a communication strategy, sending a message which is positive about migration and Scotland. There have been a range of evaluations of the policy which were published last year, including one by Rogerson and others, which suggested that perhaps as a communication strategy it has been effective, and there is certainly some evidence, taken from three of the countries which have been important to Scotland, that people's attitudes to Scotland as a destination have been affected by the work of the Relocation Advisory Service, which is part of the Fresh Talent initiative. The second way in which we might think about this is not in terms of front end effects of the communication strategy, but rather whether the policy is achieving either the demographic or economic goals which I have alluded to. It is quite hard at this point to draw conclusions—although there are a number of studies that are underway—about the demographic effect because, to be effective, one would need to show that the increase in migration that has taken place is resulting in permanent settlement and integration rather than the circulation of population, and it is too soon to determine that difference, and, secondly, it is too soon to determine the economic impact in terms of the value added to the economy, because that will become most evident from the students who have been encouraged to stay for two years after their studies, as part of the Fresh Talent policy. It will become evident in another two years time whether that has been successful, but it is too soon to judge. Thank you.

Q415 Lord Lawson of Blaby: Of course, immigration is not a devolved responsibility, it is a United Kingdom responsibility, and if I may come back to the question of the United Kingdom and obviously your particular perspective of it, what changes if anything to UK immigration policy would you like to see and what views do you have on the new points-based system for managing migration to the United Kingdom which the Government has announced? After you have answered those questions, but not before, please, how do you think the new structure is likely to affect migration and what will be its economic impact on Scotland, Wales and Northern Ireland?

Professor Findlay: Would one of my colleagues like to start? I have an answer for that but I think it is important that Wales and Northern Ireland have a voice.

Q416 Lord Lawson of Blaby: Firstly, I would like you to give your response because this is not a devolved matter; this is a UK matter, and I would like your response to the questions I asked about the immigration policy of the UK and, in particular, the new points-based system which is to be implemented. Professor Findlay: I will answer on behalf of the Scottish perspective as I understand it. It clearly is not a devolved matter and everybody would recognise that issue. Having said that, I think it is interesting to think about the immigration policy relative to a Scottish context, which is a matter for Scottish Government. Clearly, the ways in which the Scottish Government looks at this is that it is situated in a labour market context different from the rest of the United Kingdom and that much of the immigration pattern that it has experienced recently relates to EU flows rather than flows from outside the EU which should be the ones that will be affected by the points system. It is interesting that it is possible to have an approach which is sending out a message about a regional desire to have migrants, which is a communication effect, rather than a message which is necessarily legislated for through immigration policy. Can I turn to your second question?

Q417 Chairman: Let us hear from Wales and Northern Ireland.

Dr Jarman: Similarly to Scotland, most of the immigration into Northern Ireland has been from the European Union—in fact, the first wave of migration into Northern Ireland was from Portugal rather than from the A8 countries—that is still a substantial number within the new migrants. Adding to those the A8 migrants, that would account for the bulk of immigration into Northern Ireland, apart from one particular category, which is recruitment into the health sector, which is dominated by staff from South Asia and from the Philippines. That may be one area where there is a constraint on recruitment, because both the public health service in Northern Ireland and the private health service have become heavily reliant on immigrant labour. I think the more general private sector is heavily recruiting from the Eastern European countries, Poland, Lithuania and Slovakia, and I think therefore any slack will obviously be taken up by Romanian and Bulgarian migrants.

Dr Crawley: The situation in Wales is slightly different again, partly because of Wales' history and its relationship in terms of the movement of people across the border into England. Migration into Wales and out of Wales is nothing new, but it has seen a shift or a step change over recent years, primarily as a result of A8 accession migration, but not exclusively. For example, from 2001 there have been reasonably significant numbers of refugees and asylum seekers dispersed to mostly South Wales in
that period, and then in the period since 2004 we have got around 16,000 migrants registered under the work scheme but they are very much concentrated in a limited number of local authority areas. We do not have, unlike Scotland, a formal, separate system by which labour migrants are recruited into the Welsh economy as such, but the Welsh Assembly Government is increasingly beginning to realise that it needs to address some of the issues that are arising from migrant labour into Wales and, indeed, the changes that are taking place demographically. Once upon a time in the not-too-distant past, there were really quite significant numbers of young people moving out of Wales, often with high levels of education, into England, and that has really been changed, that trend, as a result of A8 accession migration. In fact more than one in five of those who are coming to Wales now through accession migration have degrees, for example. There are, therefore, quite significant shifts taking place but our policies in Wales are somewhat behind the Scottish approach and really, at the moment, are simply in line with what is going on in the broader UK context.

Q418 Lord Lawson of Blaby: It is clear, is it not, from what you have already said that in both Scotland and Northern Ireland the pattern of immigration is distinctly different from what it is in England, and Wales is perhaps somewhere between England and the Scottish/Northern Irish pattern? So it is understandable if the Scottish perspective is a different one from the English one because the pattern of immigration is quite different. Dr Crawley: And also the nature of the government, of course, is slightly different as well, in terms of the nature of the government that is setting up the policies and the amount of autonomy at one level or another that it has in order to determine its own decisions in that area. Also, it is very difficult to understand migration to any of these regions without understanding economic development more generally in those regions, and I think in particular in the case of Wales, with the growth of Cardiff and the M4 corridor, that has had a very particular effect in terms of regeneration of southern Wales in particular, which is very strongly associated with migration. Again, it is hard to know what would have happened were it not for that economic growth. So disentangling some of those benefits and those causal factors can be very difficult.

Q419 Lord Lawson of Blaby: Just one quick point of clarification, when you talk about migration to Wales, do you include migration from England? Dr Crawley: Not in those particular figures, but obviously the types of migration from England are different again. We know that people who migrate from England are more likely to be older, in their 40s and 50s; they are more likely to be retirement or end-of-career migrants.

Q420 Lord Griffiths of Fforestfach: Do you think that immigration should be a matter for a devolved government? There were hints, I felt, in what you were saying that you almost wanted to go there and I would love to hear what your answer is. Dr Jarman: I would argue that there needs to be some role for the devolved administrations in setting migration policy, and I think Northern Ireland has a case for a distinctive policy, different again from the Scottish and the Welsh situation. We have not got a policy as such at the moment; we have got a reaction to a process which has been set in place by private business, partly because we have not had a devolved administration over recent years and so we are playing some sense of catch-up and reacting to the changes resulting from migration. Northern Ireland has a couple of specific factors which will make it distinctive: one is the fact that it is coming out of conflict and the economy is beginning to boom, and that is having potential scope for development which was not there a few years ago. The second one is that we are the only part of the UK that has a land border, and if the policy in the Republic is different from the UK policy that will have an impact on Northern Ireland. Already people at times are coming to Ireland and are not necessarily coming to Northern Ireland or the Republic; they are coming to Ireland, and they are not completely sure until they arrive. We have issues of people crossing backwards and forwards across the border, we have emerging issues of businesses responding to the economic boom in Dublin, relocating to the North to meet the economic boom, particularly in construction in the North, but perhaps still employing people out of the Republic but employing them in Northern Ireland. So there are distinctive matters emerging in Northern Ireland, but it is a rapidly changing situation and we are struggling to keep up and get on top of it. At the moment we are following it, we are not getting in front of it and setting the ground out; we are beginning to try and do that and the Department of Employment in Northern Ireland has recently developed a working group and started to develop an action plan and a strategic plan, but it is still very much in the process of catch-up.

Lord Lawson of Blaby: Can I just follow that up? Lord Griffiths is right, this was very much what seemed to emerge from Professor Findlay’s answers as well as yours, but of course the consequence is that he would have to have border controls, quite strict border controls, say between Scotland and England. Lord Griffiths of Fforestfach: And England and Wales.
Chairman: Hang on a minute, we are not having a debate between ourselves, we are here to ask the witnesses questions. We are getting a long way behind the clock if we are not careful; Lord Vallance, did you want to ask a question?

Q421 Lord Vallance of Tummel: Just a quick one for clarification to Professor Findlay. In setting its demographic targets in its economic plan, which you mentioned, does the Scottish Government classify movement of people into Scotland from the rest of the UK as immigration and, if not, what?

Professor Findlay: The statement I read simply reflects what has been published in the Government’s economic strategy and it does not say there distinctly whether that policy relates to movement from the rest of Europe, the rest of Britain or the rest of the world; that is the short answer to your question. I cannot answer on behalf of the Scottish Government but I can explain to the Committee what has been stated publicly.

Q422 Lord Macdonald of Tradeston: Further to that, does not the English immigration in the end constitute about 10% of the Scottish population? That seems so significant it would have to be addressed, would it not?

Professor Findlay: It is not quite as high as 10%. The last time I looked at the figure it was 8%, but it is a significant proportion of the Scottish population. I am not sure about the inference of your comment, but what is more significant for Scotland—

Q423 Lord Macdonald of Tradeston: If I could clarify, the inference would be that Dr Crawley said there was mainly a retirement population that went to Wales. Would you not have a lot of young English people moving into Scotland to help rebuild the economy there?

Professor Findlay: We have a lot of young English people moving to Scotland at present and retirement is a minority part of the flow from south of the border, but I would emphasise there is also a significant net inflow of Scots-born people who have been living in England to Scotland during the last five years, and the interesting evidence is that those people are largely less than 35 years of age, so they are mostly young people who are returning from the rest of the United Kingdom to Scotland.

Dr Jarman: In Northern Ireland, figures published last week showed that there had been 30,000 new migrants into Northern Ireland last year and something like 12,500 of those had come from England, Scotland and Wales. What you have seen in the Republic is that as the economy grows you have not only an inflow from foreign nations but also a flow of returnees or second generation Irish, and I think you might see some of that in Northern Ireland.

There appear to be people who have come in moving from England, that are actually the people who have moved out from previous years and are moving back or they are siblings or are descendants, given that Northern Ireland has been a net exporter of population for a long time and they have been a net export of population for a long time.

Dr Crawley: Just as a point of clarity, I did not want to imply that the migration across the border into Wales had been exclusively retirement migration, but it is often of people at a different stage in their career so it is the older cohort rather than the under-25 cohort.

Q424 Lord MacGregor of Pulham Market: My question does not relate to English migrants to Scotland or to Northern Ireland, nor indeed to returning nationals to those countries. I really want to relate to the A2 and A8 countries. Professor Findlay already described the different employment and demographic needs of Scotland and we have heard a little bit from Wales and Northern Ireland. Do you think that because of the different nature of the employment patterns compared to England, the recruitment practices or employment practices of employers differ in relation to encouraging people from A8 and A2 countries and does it also lead to a difference in educational offerings? We are going to hear evidence in the next session of how a lot of the migrants from A2 and A8 countries coming to England have actually not stayed very long and many of them are over-qualified for the jobs that they do.

Professor Findlay: That is a very interesting question. I am sure that every region of the United Kingdom, because of the distinctive nature of the regional economies, employ people with distinctive characteristics. Therefore, it is natural that Scotland, with a significant proportion of its economy linked to rural activities, particularly agriculture, fisheries and food processing, has a distinctive type of labour demand, and that labour demand has always been met in a distinctive fashion. In recent times, referring to the A8 countries, that has meant that in Scotland gangmasters—or labour recruiters, as they actually prefer to be called—have been very significant. There are 260 suppliers on the gangmasters register supplying labour to Scotland at this point in time.

Q425 Lord MacGregor of Pulham Market: That is also true in England.

Professor Findlay: Yes, but my point was that proportionately that is a more important channelling mechanism, and the significance is that initially when the EU-A8 countries joined, quite a number of the wave of migrants came through those channels. The interviews that I have undertaken recently with gangmasters show that over time that pattern has been changing, with more people now arriving
independently in the United Kingdom and then coming to those labour recruiters in the regions to find work through their services, so it is a slight change in that pattern over time, which I think is very interesting and important. That is significant because it suggests that perhaps regions which are further away from the South East are now receiving migrants directly from the A8 rather than through the channelling device of the recruitment agents.

Dr Jarman: In respect of Northern Ireland that is probably even more the case. Certainly in the early days we were talking primarily of recruitment agencies acting as middle men, or of employers going out to trade fairs and the like and recruiting in the countries. Increasingly it appears that that process is now self-sustaining and that there are enough informal networks in place in Northern Ireland to pass the information back across, and people come and then they get a job once they are here. The fact that in the last year you can fly from Belfast to four cities in Poland is one of those factors. I travelled from a provincial city in Poland a few weeks ago and I was what I took to be the only non-Pole on that flight and it was like families saying goodbye to each other at the airport. On the other point you make about language issues, our research suggests that for a significant proportion of the people that we have spoken to, economic matters were not their primary reason for coming to Northern Ireland. Learning English and improving their English language skills was a significant factor. Therefore they were prepared to take low quality jobs or jobs that they were over-skilled to do because they only expected to do it for a short period of time; and then they would move on, either to the UK or to the States or to somewhere else with their improved language, so that for them the money was not the big issue and they were prepared to put up with the hardships for a short space of time if it meant improving their English.

Q426 Chairman: Can I just say to everybody, including the people on this side, that we are getting very severely behind the clock. Can we keep our questions short and our answers short otherwise we will not manage to get through all the questions? Dr Crawford: The situation in Wales is slightly different again. There is very little evidence about what the recruitment patterns in Wales are. I think it is true to say that we are really quite behind in terms of the evidence base although a lot of research is currently being commissioned to try and find that out. It is true to say that most accession nationals who come to Wales are employed in sectors that are not those that are perceived to be the most important sectors. So, construction, administration, hospitality, catering—those are the sectors in which they are working. It is also true that, unlike the rest of the UK, in Wales migrant workers seem to have an equal footing in the public sector and in larger companies. So there is also something slightly different going on there, and again in terms of language there is something different again, which is of course that we are moving towards a bilingual situation in Wales, where there is a move towards Welsh as well as English as being the language of choice. That has made a difference both to people’s propensity to come to Wales potentially, but also to the kinds of services that can be offered by way of language training, because the priority for the Welsh Assembly Government at the moment is to teach and to have things in Welsh, and that has made a difference.

Q427 Lord Best: Mine is a question about community cohesion and it is about the impact of the new wave of migrants and their reception on the part of existing recent migrants, ethnic minority communities and the native-born residents. I suppose there is a potential special ingredient here for Northern Ireland?

Dr Jarman: There are a number of strands to that and I will take them in reverse order. There has been a rise in recorded racist incidents over the last five years, a significant rise, which has included numbers of attacks on Poles, Lithuanians, Slovaks and the like, so the general growth of the minority ethnic and national communities has brought with it, or been accompanied by, an increase in evident racism. There is no real evidence of any particular problems within the minority ethnic sector in terms of relationships and certainly in terms of the existing support agencies working with minority ethnic groups in Northern Ireland; they have expanded their remit to include Poles and other A8 nationals. In terms of the populations themselves, we have seen the emergence of a distinctive Polish community in Northern Ireland with its own networks and structures around the church and around the support agencies. We are not yet seeing the same sort of sense of cohesion of individual communities amongst any of the other minority communities, the new communities of Lithuanians and Slovaks. People have tried to find out and approach them, but they are very amorphous and very disparate, and that may well become an issue at some stage. We do not know how these communities are going to develop and establish themselves, and that is an issue more generally, that we do not actually know what dynamics are going on amongst those, whether they will actually adhere into distinctive communities, whether they will be seen as general Eastern Europeans. We know that there are tensions within some of those areas. We know from some workplaces that there have been tensions between Poles and Lithuanians or Czechs and Slovaks, and we know from some of the interviews
that there are animosities amongst them. So to talk of
the A8 as a singular body is problematic for them.
They do not all like each other.

Q428 Lord Macdonald of Tradeston: There has
obviously been a Protestant sensitivity in some
sections of the community through the demographic
balance. Most of the immigrant countries you
mentioned there are Catholic countries. Is there
hostility in sections of the community to
that influx for that reason?
Dr Jarman: There has been to the extent that the
more readily available housing has been in Protestant
working class communities. That is where the
housing has been more readily available and
therefore that is where some of the people have
moved in. There does not seem to be that much of an
issue about whether they are perceived Catholic or
not. If you are not a Northern Ireland Catholic, it is
not so important—you can be an English Catholic, a
Polish Catholic. There were in some areas stories
where the Poles were being classified ethnically as
Catholic and the Lithuanians were being classified
ethnically as Protestant by physical types, to map
within the local stereotyping. But it is more a matter
that they are not local, so it would not really matter
whether they are a Catholic or Protestant, black or
white. That is where the problem comes, that they are
not indigenous Protestants.

Q429 Chairman: A quick comment for Wales or
Scotland.
Professor Findlay: I think they have in the Scottish
context. The first thing I want to emphasise is that
perhaps rural areas get discussed more, but there are
actually more EU migrants in Glasgow and
Edinburgh than in rural areas. Secondly, in rural
areas the economic impacts have been paradoxical
because in the rural economy there have been fewer
opportunities for highly skilled migrants to earn
higher wages and yet it is in the rural areas that the
economic benefits, and in fact the net benefits, have
been perhaps the greatest to local businesses, because
it is there that the shortages of skills of particular
labour groups have threatened the future of some of
those businesses, but now with the supply of EU
labour that is no longer an issue. It is in the urban
areas, by contrast, that the universities have provided
a flow of students through the Fresh Talent initiative
who may stay on and use those skills in the future,
and there is therefore a possibility of greater benefits
and higher wages to the migrants themselves.

Q430 Lord Kingsdown: Have the economic impacts
of immigration differed in rural areas from urban
areas?

Professor Findlay: I think they have in the Scottish
context. The first thing I want to emphasise is that
perhaps rural areas get discussed more, but there are
actually more EU migrants in Glasgow and
Edinburgh than in rural areas. Secondly, in rural
areas the economic impacts have been paradoxical
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areas, by contrast, that the universities have provided
a flow of students through the Fresh Talent initiative
who may stay on and use those skills in the future,
and there is therefore a possibility of greater benefits
and higher wages to the migrants themselves.
Q432 Lord Kingsdown: It is not very easy to see the picture in rural areas in terms of casual workers picking fruit and doing things on a short term basis. What sort of proportion of immigrants into rural areas are confined to that activity and what sort of proportion are much more long term occupied?

Dr Jarman: Seasonal agricultural work is not perceived in Northern Ireland to be one of the significant drivers, it is lower down the scale. In rural areas it is more working in the food processing, the agri-industry, meat-processing factories, that is really where the impetus has been, more in the small urban centres rather than agricultural food picking. There has been some around mushroom-picking, that has been one of the sectors that has been perceived as problematic in terms of exploitation particularly and it is difficult to access the details of the information, but generally it has been perceived to be working more in terms of the urban centres and the smaller industries in rural areas.

Q433 Lord Skidelsky: The Government has recently announced that it intends to stop low-skilled labour immigration from outside the EU. How do you think that will affect agriculture and the food processing sector in the three regions we are discussing?

Professor Findlay: That is a very difficult question to answer because we are talking about the future and I can only answer in terms of, again, the evidence that I have gathered personally from gangmasters who supply labour to rural economies, and they are certainly concerned that over the next two to three years the number of Eastern European workers who currently come will diminish as they find higher paid jobs and, in the absence of an alternative supply of labour, that there may then be a return to labour shortages and damage to businesses. Now, of course you might imagine that that might be a good thing or a negative thing, depending on your perspective. I would like to divert slightly from your question by also mentioning the urban economy because in the Scottish context again there is the issue of whether, in the long run, it is better to have EU labour than labour from outside the EU, and the evidence there shows that, for example, Filipino nurses have been more eager to integrate and to settle and have been trained in English, whereas often Polish nurses have wanted to travel on and not stay. So the effect could be rather complex in the Scottish context of passing that legislation.

Dr Jarman: In terms of Northern Ireland, it may have an impact in terms of the unregulated, unrecorded, undocumented labour. We know that there are substratas around, particularly Russian, Ukrainian and further east labourers coming in and working in the grey economy around there, and that might be an area where we see a re-examination. In Northern Ireland it has been almost largely ignored over the last four or five years. But it has not gone away, it is there, and I think the other issue that might affect it is the border, that people can live in one country and work in the other. You can work 20 miles across the border, you can be shunted across the border, so it might depend very much on how the policy in the Republic of Ireland develops in line with the UK policy.

Q434 Chairman: It happens in Wales too if I may say so.

Dr Jarman: Yes.

Dr Crawley: Again, agriculture is a relatively insignificant aspect of labour migration into Wales; it is much more in relation to the food processing sectors and the hospitality and catering sectors that it might have an impact. Again, like Allan, it is very difficult to predict into the future, and it is also again important to contextualise what is happening with migration in the context of what is happening with the Welsh economy more generally and attempts by the Welsh Assembly Government to improve skills more generally in the country. Obviously, at the moment, we have a relatively low skills economy in Wales—that is the reality—and whilst there are improvements in higher educational attainment and vocational skills, there are still improvements that need to be made. If those improvements are made then, arguably, there will be fewer low-skilled people available to do those types of jobs. So it is very difficult to know, not only what is going to happen with labour migration, but also what is going to happen with other aspects of the system that might influence the extent to which people might have skilled labour or unskilled labour available. That will make a difference that we cannot really predict at this stage.

Q435 Lord Griffiths of Fforestfach: My question has been touched on in a way by Dr Jarman in relation to the rural areas. But the question is: in the separate countries of Scotland, Wales and Northern Ireland, how has immigration affected the demand for public services, for education and for housing, and how have the devolved governments in these areas responded differently than England has?

Dr Jarman: It has had a significant impact on public services and that has really been where the focus of some of the policy responses and government responses has been so far. There have been problems in education. Whilst there have been some benefits in terms of children coming into schools, there has been a real strain on teaching English as an additional language or English language teaching at all levels of the education sector. So the third level, college level, further and high education sector, is extremely stretched, to bursting point, in terms of not being able to supply enough English language classes and
schools are all very heavily stretched. There are a small number of migrants coming into the public housing sector, but most of them are still in the private rented sector, so that is not a particular problem, and we have been coming to grips with different perceptions of the health service and, in particular, use of accident and emergency services as opposed to general practitioners or being able to get access to general practitioners. Part of it has been bringing the expectations and norms from your own country to a new country and expecting to proceed as is; there has been a lot of educational work linking around that, but certainly access to GPs is a problem.

Professor Findlay: I believe that the situation in Scotland has not been particularly different from in England in terms of response to public services, but in other respects I think the Scottish context has been covered very well by the answer from Northern Ireland.

Dr Crawley: Again, there are very many similarities and parallels. I suppose the first point to make is that 95% of accession migrants to Wales have no dependents, and so the issues around schools, whilst they are significant and growing, are not of a scale that might possibly be reflected because of that. The issues around housing appear to be, perhaps, the most significant ones: again, not in terms of social housing but in terms of the demand for private rented accommodation. Essentially, that is where the demand is going. There are discussions and concerns at the local level that rental house prices have risen by between 50 and 70% in some areas, particularly in areas like Pembrokeshire and South West Wales where there are already demands for housing associated with tourism and with second home ownership. Along with that there are also concerns about the quality of the housing that has been provided to migrant workers, because there is evidence of overcrowding and concerns about fatalities arising from the lack of fire safety and those sorts of issues, and some demand for homelessness services has arisen in areas like Pembrokeshire. The concern I suppose is that if the rental market goes up, then actually landlords will start to buy up private properties in order to be able to rent them out to a growing rental sector, and that will have impacts on the market more generally. The other concern is again in relation to health, that there is simply a lack of knowledge amongst migrant workers about being able to access health, so the concerns in this case are less about the provision and more about the ability of migrants to access the services which they need, and that is something that often drops away in these sorts of discussions.

Q436 Lord Macdonald of Tradeston: A question to Professor Findlay, if I may. Scotland has had a remarkably stable population post-war; if it had grown at the same rate as England, there might have been a million more Scots. Could it not be argued that that kind of population stability, for reasons of conservation and resources and climate change and so on, is a very desirable equilibrium? Apart from the internal rebalancing of the demographics for economic efficiencies, do you think that the growth of population in Scotland is a goal to be striven for in itself?

Professor Findlay: The Scottish Government’s economic plan said that it is not a goal in and of itself, so I would answer in that respect and I would return the question, “why should it be a goal in and of itself?” The concern in the Scottish context is not that the population has been stable, but that the population is potentially ageing, with implications for the labour market, with implications in terms of talent and education and skills to drive forward towards achieving economic growth, which I believe is the target that the current government wants to seek. It is in relationship to that that there is a valid case for trying to argue for having levers to encourage appropriate kinds of people to come to Scotland, adding fresh talent, which would invigorate the regional economy in a way so as to achieve their goals.

Q437 Lord Vallance of Tummel: Do you have any comments on the Government’s submission to this inquiry, and do you think it reflects what is going on in Scotland, Northern Ireland and Wales?

Professor Findlay: I felt that the Government’s submission provided a very substantial body of evidence that was very welcome. I think in the Scottish context there does remain a concern that perhaps the perspective at national level does not necessarily reflect the needs of either the Scottish economy or the aspirations of the Scottish Government as it stands at present, and there would be concerns perhaps that the points system, which was referred to earlier, is one which achieves “certain” goals. We would welcome some aspects of the points system in as far as it makes quite clear that immigration policy is not based on racist grounds or selectivity which is questionable. But one has to ask what aspects of selecting migrants does one want to emphasise in any system, and one would ask, if one is looking for people who wish to settle, to what extent does the points system achieve that as opposed to simply looking for certain labour market characteristics. That, therefore, becomes a concern.

Q438 Lord Vallance of Tummel: Are there any additional thoughts from Northern Ireland or Wales?

Dr Jarman: In Northern Ireland, as I said before, the immigration has been very much driven by the private sector, the needs of the private sector. My
reading generally of British Government policy is that it is English policy and does not reflect necessarily or take into account fully the distinctive needs of some of the more regional areas, and the fact that Northern Ireland does have a border with the Republic will create other issues for it. Its economic context as a region coming out of conflict, with potential for a different form of economic growth, make it a special distinct case in this situation.

Dr Crawley: I would say, again, that the Government’s submission is a very fair and very well-balanced synopsis of the available research evidence. It has been a very useful contribution to that evidence base. But again, I guess, from a Welsh perspective, it does not necessarily differentiate between different regions, despite the fact that if you are looking at the economic impacts, almost by definition the fact that the economies of the regions and the devolved regions are different, the wage structure of the economy is different, the skills levels are different, there must be some differential impacts. Also, it is almost presented as if economics have a momentum all of their own and that they are not in any way influenced by the policies, and of course it is that relationship between the policies and the economics that leads to certain outcomes. That is one point. The second point is that it also reflects the questions that were raised earlier about the tensions between devolved and non-devolved issues, because the reality is, in a context such as Wales, that there are tensions. There are certainly tensions around issues such as children because of course children are a devolved issue insofar as the things that affect them, like education and health, are the responsibility of the Welsh Assembly Government, and yet the things that control immigration status are effectively non-devolved. So there are tensions that arise and they occur in particular instances around particular cases. But I think maybe they are reflective of a broader, underlying problem that may increase in the future as the nature of the devolved governments and the way in which they start to operate in their particular spheres of control start to come into more tension with the wider UK aspirations. We are beginning, therefore, to see something that might increase in the future as these devolved powers become stronger.

Chairman: Thank you very much for coming and helping us with our inquiry and, if I may say so, you have managed to tell us what is happening and also give us some very wise insights as to what you think might be happening in the future, which will of course be very valuable to us as we come to write our report. Thank you very much indeed.

Memorandum by the Local Government Association

1. The Local Government Association promotes better local government. It works with and for member authorities to realise a shared vision of local government that enables local people to shape a distinctive and better future for their locality and its communities. The Local Government Association aims to put local councils at the heart of the drive to improve public services and to work with government to ensure that the policy, legislative and financial context in which they operate, supports that objective.

Introduction

2. The Local Government Association welcomes the committee’s interests in this matter. There is now wide consensus that the official statistics on international migration and therefore on population are inadequate nationally and locally. We welcome steps initiated by the Office for National Statistics to find long term remedies to address these weaknesses. However, we believe that alongside this, urgent action is necessary to better use available data to understand recent and rapid local population changes resulting from migration. This is because the evidence clearly shows that the changes are widespread and are placing demands on local public services that are not reflected in funding formulae for these services. They rely on out of date and inaccurate population figures.

3. Our submission particularly draws on a report commissioned by the Local Government Association from the Institute for Community Cohesion (ICoCo), entitled “Estimating the scale and impacts of migration at the local level.” The report is due for publication in October. The work reviews the available evidence on the scale and nature of recent population change and impacts on local public services. It is based on responses from 100 local authorities in a specially commissioned survey conducted in August 2007 alongside desk research evaluating sources of population data and a wide range of existing local and national studies on this subject.

4. The submission addresses a selection of the questions to which the inquiry seeks answers. These are questions 8, 9, 10, 13 and 15. These questions provide the framework for the response.
How does immigration affect the public finances? [Question 8]

5. In relation to direct impacts on public finances, taxes paid by in-migrants flow to the centre but demands on services and the wider impacts on communities occur locally. The ICoCo report states that “it is difficult to see how far [and we would add whether] the [financial benefits] have passed to the local level and at what rate”.

6. In-migration has increased the demand, and hence the amount spent, on a range of local services (detailed in the next section). The distribution of central government funding to local authorities is intended to take account of population size and hence likely demand. Data inadequacies described below have vitiated this process, for example, in calculating the revenue support grant. More specifically, current funding formulae use 2004-based population projections for local authorities, which therefore do not take account of the increase in in-migration, particularly from Eastern European Accession countries, since then.

7. Standard definitions of in-migrants, and methods used to measure migration, fail to capture the reality of service pressures in two important ways. First, the definition of migrants misses those who state the intention of staying for less than 12 months. There is considerable evidence, both quantified and anecdotal, that suggests that there is substantial “short-term” migration to the UK. Second, the ICoCo report found considerable pressure on services in some authorities from population turnover, or “churn”, even where net migration change was not great.

How has immigration affected public services? [Question 9]

8. Respondents to ICoCo were mainly positive about the overall impact that in-migration had on the local economy. Often in-migrants were found to be sustaining local businesses, and working in hard-to-fill occupations. In some instances authorities had positively encouraged in-migration as a solution to imbalance in the local population and workforce profiles. Nevertheless, population growth has resulted in some areas in pressures on services, and sometimes in resentment and tensions on the part of host communities. Particular demands vary depending on the demographic characteristics of the migrant—for example whether they have children and require children’s services; whether they are relatively young and thus less likely to require health services. This section describes the main impacts as reported by authorities.

9. “Churn” in schools has created pressure around translation services, numeracy and literacy of young children, understanding cultural differences, mid-term arrivals, lack of records and assessments and a range of other needs. The reduction in Ethnic Minority Achievement Grant funding is a further concern. The Association of London Government (2005) quantified the additional administration for registering new children at non-standard times as £400 for primary children and £800 for secondary age, but this excludes other unquantifiable work for extra learning and teaching support staff and liaison with other services to meet the child’s needs.

10. It can be highly complex to investigate the family situation of transient families and ensure effective safeguarding of children, the complexities being exacerbated by language difficulties and cross-cultural issues. The range of agencies involved in child protection face particular challenges where child mobility is high and records and assessments are not immediately available.

11. Language barriers mean that meeting the basic information needs of migrants, translation and interpretation, supporting complex advice needs and communicating in emergencies are issues faced by all public sector partners. There is insufficient provision of English as a Second Language (ESOL) to meet the increasing demand. Part of the problem is the shortage of ESOL teachers and the more restrictive rules that have been announced around the funding of ESOL will make the problem worse (for example that more basic levels do not attract funding yet many migrants need to gain basic proficiency in English).

12. In those areas which are experiencing significant economic growth many migrants are living in overcrowded properties in a poor state of repair, sometimes with a high fire risk or other health and safety problems. One unitary authority estimates the cost of regulation and inspection at £400 per property. Inspection costs are also incurred for caravans and mobile homes, converted buildings and other accommodation arranged by employers. Demand on social housing has, as yet, been low but the costs of increased housing benefit processing and issues of homelessness and destitution are issues in some areas. The complexities of supply, demand, entitlement and need pose short and longer-term challenges.

13. Community cohesion is seen as a high priority by most respondents who were proactive in seeking to assess and meet the needs of migrants and there are many examples of good practice across councils and agencies. Many respondents reported tensions and different levels of conflict and had put action plans in place to give information to both migrants and the host communities, engaging with employers and housing providers and developing inter-agency approaches. A number of authorities were working with local media to provide accurate information on the size and characteristics of the in-migrant population.
14. Many authorities reported that migrants were more likely to be victims of crime than perpetrators, though underreporting was suspected, not least because many migrants had low confidence levels in the police in their home countries. Vehicle related crime including absent or forged documentation and drink driving is being addressed by information campaigns in some police authorities. Fire and Rescue services are also producing publicity in other languages, particularly regarding risks in multi-occupied dwellings.

15. The impact on health is increasing, albeit from a relatively low level given the age profile of the in-migrant population. Issues include inappropriate use of accident and emergency services instead of GPs and increased use of maternity services, often late, making planning difficult. Mental health needs are being identified particularly for asylum seekers and refugees who have experienced trauma.

16. Many authorities highlighted housing market issues, including the sharp rise in the price of cheaper properties, exacerbated by purchase to rent to migrants, a rise on homelessness and a decline in numbers of first time buyers. Sometimes these were ripple effects, originating in in-migration to neighbouring authorities rather than directly to their own. Several cited the need for good quality information to facilitate housing need projections.

17. The varying impact of immigration needs to be seen in the context of the continuing impact of the costs of asylum in dispersal areas, especially in relation to funding shortfalls for the costs of Unaccompanied Asylum Seeking Children leaving care and for those without recourse to public funds.

**How does the impact of immigration vary across different regions of the UK? [Question 10]**

18. The demands on services vary with the size and nature of in-migrant flows to a locality. In-migrants are not homogeneous. Some come to work, some to study, some to retire. Some travel as family groups, some come to join family already here and some travel alone. The flows come from many countries. In-migration from the A8 Accession states—and particularly Poland—has attracted much media comment. Yet the movement from A8 states in 2005–06 constituted only 16% of long-term migration (ie for more than 12 months—there is evidence of substantial shorter-term migration from A8 states in particular).

19. One reason for the attention paid to migration from the A8 states is that it has been more geographically dispersed. A substantial number of migrants from Poland, Lithuania, Slovakia and to a lesser extent other European states such as Portugal have gone to towns and rural areas with little previous experience of receiving international migrants. The map attached shows the distribution of A8 migrants registering for National Insurance numbers over the year 2006–07. Different sources would show slightly different patterns, but there is a clear concentration in an area stretching from Herefordshire to Norfolk, much of it rural but including towns such as Northampton, Peterborough and Boston. Alongside that, there is movement to towns which already have a significant proportion of people born abroad, such as Luton and Slough, and to some London boroughs.

20. In contrast, recent flows of migrants other than those from Eastern Europe have principally been to conurbations and university cities, as the other map indicates.

**How can data on immigration be improved? [Question 13]**

21. To answer this question we need to consider the ways in which currently available data are inadequate. In the first instance:

- Measurement of international migration at the national level is inadequate in that it is based on a survey with a small sample of migrants, and does not count short-term migration or (more understandably) illegal migration.

- The allocation of international migrant numbers to local authority level is based on evidence from the Labour Force Survey (which again has small samples at authority level) and the 2001 Census, coupled with assumptions about migrant behaviour.

- The methods for tracking migration within the UK (whether by UK nationals or international migrants) are questionable.

- A range of administrative data sources gives sometimes quite different indications of migrant flows at the local authority level (the ICoCo report shows that, for some authorities, estimates from National Insurance or GP records differed from the official ONS migration figures by a factor of four; and that school census records sometimes give substantially different indications of numbers to official population estimates).
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

22. The inadequacy of data currently available does not appear to be a matter of contention. The National Statistician, the chairman of the Statistics Commission and the governor of the Bank of England have all observed that statistics on migration are inadequate for public policy needs.

23. The ICoCo report makes a number of recommendations for improvement, to which we add some observations of our own.

24. The ICoCo recommends that the 2006 recommendations of the Inter-Departmental Task Force on migration statistics should get full financial and legislative backing, and be progressed with greater urgency, with full support from government departments. We would add that this support should include explicit ministerial commitment to the proposals. This should do much to improve statistics at a national level, and should improve estimates of short-term migration.

25. Action is also needed to improve estimates at local authority level and below. To this end ICoCo recommended that a working party be established to examine ways in which administrative sources could be adjusted to provide better information on migration (these sources including National Insurance, Schools Census, Higher Education Statistics Authority, Electoral Registration, Workers Registration Scheme and NHS Flag 4 data).

26. ICoCo recommended that departments should take a more consistent approach to making administrative data available at small area level (for example wards or postcode areas).

27. In addition, we would recommend a consideration of other countries’ approaches to measuring international and internal migration. The UK is not alone in experiencing increased migration, and hence is not alone in grappling with problems of measurement. Other countries’ solutions may not be appropriate—but equally there may be much to learn.

28. Finally, we would urge an element of triangulation in producing official population estimates. That is to say, results from initial modelling should be tested against other sources, and if possible evidence from other sources should be included in the modelling process.

To what extent have inadequate data affected public policy? [Question 13]

29. Inadequate data on migration has affected policy within local authorities in three broad ways:
   — Erroneous population estimates for some authorities have affected the level of funding that the authorities have. The policies and priorities of those authorities have therefore been constrained.
   — Well-targeted service provision depends on knowing the size and characteristics of the local population. Where the data are inadequate targeting will be less precise than it could and should be.
   — An ill-informed national debate around numbers can have a negative effect on community cohesion.

Should more be done to help immigrants boost their productivity in the UK? [Question 15]

30. There is some evidence that a proportion of recent in-migrants to the UK are over-qualified for the jobs which they do. This is true of some migrants from Eastern Europe, for example. A better match between skills and occupations should benefit not only the individuals but the economy as a whole.

31. Moreover, if well-qualified in-migrants are able to move into jobs which better match their skills, the risk of them competing for lower-skilled jobs with members of the host community should diminish. This could reduce community tensions.

32. Language problems are often cited by local authorities as a barrier to a better match between skills and jobs in migrant communities. Many authorities cite problems with funding for English as a Second Language courses (as identified in paragraph 11). This is an area where government investment should yield a worthwhile return.
Foreign nationals need a national insurance number before or as soon as they start working, so registrations data is a good proxy for people who are economically active. It gives information on how, nationality, gender and where applicants live.

There is no information on when workers leave an area.
Non-A8 National Insurance Number allocations as a proportion of working age population (England and Wales, 2006/7)

Proportion working age population
- 0.01 - 1.00
- 1.01 - 2.00
- 2.01 - 3.00
- 3.01 - 6.00
- 6.01 - 12.00

Digital Map Data, copyright Collins Bartholomew Ltd (2007)

Foreign nationals need a national insurance number before or as soon as they start working, so registrations data is a good proxy for people who are economically active. It gives information on numbers, nationality, gender and where applicants live. There is no information on when workers leave an area.

12 October 2007
Memorandum by Boston Borough Council

BACKGROUND TO MIGRATION IN BOSTON

During the last five years the population dynamics of our local community have rapidly transformed and the Borough of Boston is home to many different communities. Many have found a good life here—the relaxed pace of life, the quality of the local environment and cheaper house prices. New communities have been created.

The migration of workers into South Lincolnshire has been part of the economic cycle of the area for many centuries but more recently with the increased need for manpower available 24 hours a day seven days a week and the low unemployment in the area (1.6% against a national average of 5%) we have become an attractive area for Eastern European migrants.

Boston Borough Council recognised the impact of such a rapid inward flow of visitors early in 2004 and responded positively in developing a community cohesion strategy, a vision of a community where people felt respected and valued. This strategy was reviewed in 2006 and is currently being revised to take account of the recent report from the Commission on Integration and Cohesion. The revised strategy will be considered for approval by the Borough Council at its Cabinet Meeting in December 2007 and by Boston Area Partnership (LSP) in January 2008.

A LOCAL APPROACH

The Council recognises that to resolve the inevitable conflicts and tensions within the community brought about by a rapid change in population demography we need to tackle the issues at a local level. This is echoed in the Commission’s report which encourages authorities to look at individual neighbourhoods and communities where a more tailor made solution at a local level will be more effective.

The local authority is taking a leading role within the Community and is working in partnership with the voluntary sector, police, health, education and private housing associations to tackle some of the issues and promote a cohesive community.

This has involved taking an innovative approach at a local level where the activities of all agencies working within the community are co-ordinated together to achieve results at a grassroots level. Some of the projects are working on involve getting people more involved in their communities, tackling community tensions and exclusion, improving access to services and information and helping our community to feel a sense of pride in Boston.

Community Cohesion is one of the corporate priorities for the Council and as such responsibility for the strategic direction is owned at the highest possible level. We have restructured within our organisation and established a role at Corporate Management level, a Head of Community Development post that for the first time pulls together Community Cohesion, Community Development, Customer Services and Community Safety. Community Cohesion is also one of the main priorities for the Corporate Management Board as a whole led by the Chief Executive and is reflected within the Community Strategy, Local Area Masterplan and the Council’s Corporate Plan.

The current Community Cohesion Strategy was approved in 2005 and despite a further Best Value Review which highlights a number of actions in 2006 the Strategy has not been revised and updated. The situation has changed drastically over the last few years with a large influx of economic migrants from the accession A8 and A2 Countries, and increasing demands on all service providers.

We have also taken a “step back” and reviewed the way in which we have traditionally dealt with Community Cohesion both within Boston Borough Council, and also with our partners. A review of the Equality and Diversity Theme group has also identified that despite some examples of good work, the group lacked the capacity to implement significant change. This has resulted in a new approach which involves closer working with our key partners:

- Equality and Diversity Theme Group—to become an advisory group to the Boston Area Partnership.
- Community Cohesion Delivery Group implemented.
- Closer links with the County Community Cohesion Group.
- Close working with Institute of Community Cohesion specifically looking at Communications.
- Work with the IDeA on communication and myth busting.
What successes have we had?

We are a small local council but despite a lack of resources, by working in partnership we are starting to see some real successes, even though we recognise we still have much to do. We have been leading the way in some areas and have been talking to both central and local government about the response at a local level and informing government of the challenges we are facing.

— We worked with South Holland District Council which conducted a study on migrant workers within our area which has given us a better insight into the problems faced by employers, new migrants to our community and our indigenous population. The results of this work also involved the development of the first web site for migrant workers. www.migrantworkers.co.uk

— We have taken an active role in welcoming new arrivals to our town and have developed a “welcome to Boston” CD which was published in 2006 working in partnership with a number of agencies. This information is also on our website—www.boston.gov.uk/welcome

— We have taken the lead in tackling the many myths that abound and originally produced a myth busting leaflet in 2004. This has subsequently been revised and is the basis for the Lincolnshire County Myth Busting leaflet which all agencies now use to educate and promote the benefits of inward migration to our economy and dispel the myths.

— We have in partnership with the Police adopted the True Vision scheme which encourages people to report racially motivated abuse or assaults. It is vital that we are aware of any tensions so we can deal with them before they escalate.

— We have been working closely with local businesses and national companies and in September 2006 we worked closely with the business community on a HRH Prince of Wales “seeing is believing tour” which was organised by our business community. This looked at the food processing chain from the land to the shop. A follow up meeting took place in September 2007 where it was agreed that private and public sector would work together to ensure national supermarket chains take their corporate social responsibilities seriously and ensure all links in the chain of food supply are operating on a legal basis and also give support to public sector agencies in addressing issues and problems as well as benefits and opportunities of the rapid increase in the growth of economic migrants in areas like Boston. A report is being prepared to meet with relevant Ministers in the New Year to discuss.

— We are involved with our partners in ensuring sufficient English language courses are available at the college to ensure more people can speak English and integrate within the community.

— Working with the Neighbourhood Policing teams we have a better understanding of the issues felt within the community and are helping them through a multi agency group to identify the key priorities that need tackling within their local area.

— Supporting Voluntary Sector initiative of staging a Community Roadshow in the town’s park (Sept 06 and Sept 07) providing welfare and advice services, food and music in a “safe” environment. 2,500 attendance in 06 rose to 7,500 in 07.

Gangmasters Licensing Legislation

We have quickly recognised the links between employment and accommodation for many economic migrants and have been working closely with the GLA to establish early notification of large scale closures of disreputable gangmasters. This will ensure that all agencies have the correct support mechanisms in place to deal with the potential social and economic issues associated with a large scale closure.

Earlier this year we co-ordinated a multi agency table top exercise with several key partners with the aim of establishing a guidance document to assist agencies at a National level through the GLA. This document is nearing completion, and in addition a new Communication protocol has now been established to ensure early notification of key agencies is achieved.
TENSION MONITORING

We work closely with the police as part of a multi agency approach to monitoring tensions and help communities deal with conflict locally. Much good work has already been done, in our preparations for the World Cup football tournament in 2006 we learnt many lessons from the disturbances which took place in Boston in 2004 at the European Football Championships and established an effective responsive team. This work has been recognised by the Institute of Community Cohesion as an example of best practice. We are now extending this group to include tension monitoring within schools.

What are we doing at a regional and national level?

Even though we recognise much of the work in achieving a cohesive community needs to be done at a local level, we feel that it is important that as a Council we feed into the development of National policy.

We are a member of the Local Government Association steering group on migration which gives us the opportunity to inform policy and decision makers about the issues within a small rural area such as Boston.

We have also been campaigning for a fairer deal for better funding for public services in the area. To date there has been little recognition of the scale of ethnic minority communities and the impact on service providers.

The Chief Executive attended a Roundtable Meeting to discuss the recommendations of the Commission for Integration and Cohesion Report, chaired by Hazel Blears, Minister for Local Government and Communities on 21 November 2007, along with 14 other Chief Executives across the country.

The Chief Executive has been contacted by the Improvement and Development Agency to agree an article for its online magazine around his (Chief Executive’s) view that this current wave of economic migration in the UK has placed local authorities in a process of “New Learning”. Aspects of this economically driven migration are different to those which took place in the 1940’s, 50’s and 60’s as that was driven by individuals from different countries searching for a better life.

The present wave is largely controlled by gangmasters, often operating illegally. This means it is very hard to reach out to these groups because they are usually living in multiple occupancy houses, sharing rooms/beds and have their movements (job/accommodation) controlled by the gangmasters.

This “control” in conjunction with the inability to obtain an accurate picture of demographic and population changes and the mapping of population clusters in different localities in the area has serious implications for cohesion and is a barrier to integration.

Also communities like Boston do not have the infrastructure in place to deal with rapid surges of migration introducing new cultures/communities to the area, as many large cities/London Boroughs have, who have experienced migration at different times over the last 50 years or so. And while much can be learned from these more mature communities, because many aspects of this new wave are different to anything previously experienced, Boston (and other similarly affected communities) are having to develop New Learning, in real time, with limited capacity and resources, where we cannot always rely on the old solutions to work and must therefore create new systems and networks to determine new solutions.

DEMOGRAPHIC AND POPULATION STATISTICS

Our current official population statistics are 58,300 (mid term census figures). However through our research with the PCT the GP registrations reveal 79,000 patients registered and the National Insurance number applications reveal 10,000 registrations for 2005–06 alone.

The recent ONS/Worker Registration Scheme population trends 8 EU (A8 Countries) indicated that Boston has the 2nd highest number of A8 migrants per 1,000 of total population in the UK (2nd only to City of London).

Some local schools have up to 50% of children with English as a second language (average in many schools is 35%) but do not have the resources available to deal with this.

Boston College (FE) are oversubscribed on ESOL courses, they presently have learners from 51 different countries and the Citizens Advice Bureau record over 30 nationalities, living and working in Boston.

Our current estimates stand at around 15,000 to 20,000 economic migrants living and working in the Boston area, which is not recognised by Government and not reflected in the RSG which provides local councils with the funds to deliver services.
However clearly there is a need to have more accurate statistics which will enable authorities to better plan for the future and shape our services to support all of our community. We are utilising the toolkit with the Institute of Community Cohesion and working in partnership with the County Council and the Lincs Primary Care Trust to establish a more accurate picture of our changing communities.

**IMPACT ON SERVICES**

**TRANSLATION SERVICES**

It is difficult to quantify the impact on services across the Council in monetary terms with the exception of the additional spend on translation services. This totals £2,000 for 2006–07 but is increasing monthly. The need to translate key documentation is essential in terms of achieving future efficiencies, for example the difficulties with ensuring customers fully understand the documentation which is required for a variety of services where English is not their first language, can cause delays in assessing applications or dealing with requests.

This can lead to inequality on service provision, impact on customer satisfaction and targets where application process time is critical.

Translation is necessary at the front end when people first arrive but we need more resources for ESOL provision as learning the language is a faster track process towards integration.

**SERVICE PROVISION**

Some of the additional strain on key service areas within the Council is due to the increase in population rather than the specific nationality issues and this is agreed across the public and voluntary sector providers in Boston. But for other service areas there are specific issues which have put an additional strain on service providers:

- Complaints regarding refuse.
- Lack of understanding of many new arrivals of refuse and recycling service.
- Anti social behaviour complaints have risen as have the incidents of Hate Crime, even though many are believed to remain unreported.
- Housing and HMO’s (see attachment).
- Proactive Communications and the need to dispel myths.
- Monetary value for publications and methods to support myth busting.
- Schools/College require more resources for ESOL and addressing the needs of the increased capacity of pupils/students.
- Resource Contribution to tackle community cohesion through multi agency delivery group.
- Resource contribution as Community Leaders.

**HOUSING AND ECONOMIC MIGRANTS**

In housing terms, the impact of economic migration from countries like Portugal initially and then from A8 states (from 2004) began to have a significant impact within the community and local housing market from 2002–03.

Until 2002–03, the local housing market was relatively stable; whilst property prices had increased since 1999, affordability problems could not be described as acute (entry level two properties could be accessed for £60,000 compared to £97,000 today).

From 2002–03, it was the private rented sector that took the strain of in migration. The result was a rapid increase in the number of properties let in multiple occupancy, and, as demand grew within this segment of the market, room rents in housing occupied by economic migrants were driven up to levels which supported vocabulary like “exploitation”.

Given that the drivers of migration in our local context are largely economic, the demand for labour strengthened the relationship between housing and employment with “gangmasters” quickly becoming large landlords and exacerbating the challenges faced by the proliferation of houses in multiple occupation.

The change in the housing market was most stark in 2004 following EU enlargement which fuelled a “nimby” mentality locally with complaints about houses in multiple occupation dominating the complaint base of the Local Housing Authority. Unfortunately the concept of “new plus different” resulted in most houses occupied
by economic migrants being brought to the attention of the Local Housing Authority as being “illegal” houses in multiple occupation.

The table below evidences how the private rented sector was affected and shows how the resources of the local authority have been stretched.

<table>
<thead>
<tr>
<th>Year</th>
<th>All Enforcement Requests</th>
<th>Of which requests in relation to HMOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002–03</td>
<td>72</td>
<td>21</td>
</tr>
<tr>
<td>2003–04</td>
<td>107</td>
<td>71</td>
</tr>
<tr>
<td>2004–05</td>
<td>215</td>
<td>148</td>
</tr>
<tr>
<td>2005–06</td>
<td>144</td>
<td>105</td>
</tr>
<tr>
<td>2006–07</td>
<td>186</td>
<td>116</td>
</tr>
</tbody>
</table>

Whilst the Council has taken a very significant number of enforcement actions against houses in multiple occupation since 2004 especially, the private rented sector remains buoyant and houses the vast majority of economic migrants who live in the area.

Although Housing Enforcement resources remain stretched, the partnership working between agencies locally enable the local housing authority to target its resources in order to concentrate on properties which pose greatest risk to the health and wellbeing of their occupants and greatest challenges to the community at large.

RESPONSE TO THE 15 QUESTIONS

1. The majority of economic migrants within Lincolnshire are from the Accession A8 and A2 Countries. Evidence from the local Citizens Advice Bureau confirms a change in trend in relation to the source country—initially the Portuguese community but later followed by a wide selection of European Countries most notably, Latvia, Poland, Lithuania, Slovakia and Slovenia. We currently have around 33 Nationalities recorded with a corresponding number of languages spoken.

Estimated numbers of economic migrants in Boston: between 15,000 and 20,000

The Dynamics of Migrant Labour in South Lincolnshire Report produced in 2006 carried out a survey based on employment of migrant workers by gangmasters. Of the 33 nationalities recorded the largest groups were identified as:

— Polish (30%)
— Portuguese (23.8%)
— Lithuanian (18.2%)
— Latvian (10.1%)

The former USSR non EU countries contain (4.1%) mainly students working through the SAWS agricultural scheme.

There were 49 different languages spoken in S Lincs at the time of the survey but many migrant workers are multi lingual. On average migrant workers speak four languages. The dominant languages are Polish and Portuguese, Russian and Latvian.

Interestingly with Bulgaria / Romania entering the EU in January we have not seen the same level of take up as other Nationalities.

Re Duration of stay and motivation:

This is complex and difficult to specify. Research locally has shown that there are a variety of different reasons that people come to Britain:

— Short stay earn money to send back home.
— Holiday.
— Long stay to support families or lifestyles in country of origin.
— Visit with view to staying permanently—we now have some settled communities.
Research has also shown motivations change so for example someone who has come over for a short stay initially may decide to settle and conversely as work availability changes people decide to leave. This uncertainty brings with it challenges as people who are motivated by earning as much money as possible to save and send home are less likely to integrate into the local community.

Another complicating factor relating to motivation which can impact on the local economy is in the purchase of consumer goods. There is evidence to suggest that when people are living here with the intention of sending money home, they work consistently long hours and their spending within the local economy is on cheap necessity goods only, so they are able to save the majority of their wages. This triggers a debate about cost vs benefit to the local economy.

**LENGTH OF STAY**

14.9% of those surveyed—were here less than three months
33.8% of those surveyed—stayed three months and one year
36.7% of those surveyed—stayed between one and three years

The Portuguese make up the majority of the 14% who have stayed longer than three years.

**QUALIFICATIONS**

Many people have skills and qualifications well above the jobs they do within our area. There are barriers to securing skilled jobs both in terms of language and also the accreditation of qualifications from other countries. Hence there is often a trend of securing low pay low skill jobs on arrival into our community, and following improved language skills a progression to semi professional/professional employment.

Of those surveyed:

- 26.3% possess a degree qualification
- 11.4% have vocational qualifications
- 12.7% have undertaken special secondary education providing occupational skills. Some migrant workers have more than one job skill and many have trade skills such as building / mechanics.

Re question relating to characterisation of migrants from EU compared to other countries: It is difficult to compare. But in general, whilst there is settlement, there is still a significant transient number whereas other migrant groups are more likely to be coming to the UK with the view to permanently work and reside in the country.

2. Re sectors of economy employed:

In Boston/Lincolnshire the majority work is within the agricultural industry. However it would be unfair to say that’s the whole picture as many work within the service industry, cafes, pubs, restaurants with some small businesses emerging. Also in Lincolnshire out of 7000 jobs within the NHS, 500 are taken by economic migrants doing a range of jobs from doctors to cleaning staff.

The agricultural industry in Boston/Lincolnshire is now heavily dependant on migrant labour, in effect the local industry would collapse without economic migrants.

Evidence from employers reveal in many cases 50-75% employees are economic migrants.

**AREAS OF WORK**

At time of survey

- 62% worked in packhouses / food industry
- 14% in agriculture
- 7% service industry

**SOME POINTS TO CONSIDER**

— Impact on wage levels. Many appear to be earning the minimum wage but we are aware of national research that suggests migration can have a negative effect on depressing local wages. This may be anecdotal.
At the time of the survey 5.6% stated they were being paid below the minimum wage:

5.9% didn’t have pay slips and did not know what their rate of pay was.

35.4% had additional deductions from their wages for transport, accommodation or food. 6% of deductions were for cleaning / internet use/ cashing cheques.

- Impact of unscrupulous landlords and accommodation/ work links, reduces the amount of money economic migrant’s plough back into the local economy due to lack of disposable income and is also a barrier to integration, ie people are “hard to reach” in such employment/accommodation situations.

- Productivity. Research has revealed that the employers notice an increase in productivity per foreign national worker compared to an indigenous worker. Many are more willing to work long hours and less likely to complain.

Re the question “what determines migrants performance and integration in the workplace”. The language barrier is the biggest obstacle to integration and even though employers have been subject to a steep learning curve many of which have responded positively ensuring workers have health and safety information and translation, there are still many examples where employers are simply not playing their part. A new study researched by the Learning and Skills Council with the University of Nottingham reveals that 55% of migrant workers quit courses within the first five weeks citing reasons of changing shifts and personal circumstances. In SMEs this figure rises to 68%.

Boston College (FE) currently have learners from 51 different countries. The largest group of learners are Polish.

The other main barrier to integration are the operations of illegal gangmasters tying people’s jobs to accommodation and constantly moving people around work/home location.

3 and 4. To some extent covered in above responses.

- Increased productivity from foreign nationals compared to indigenous workers.
- Agriculture industry main employer but widening to include service sectors.
- Boston has always been a low unemployment area, but generally low skilled/low wage work available.

5. This is a difficult one as we have no accurate evidence available to effectively track the movement of people and we have very low incidences of illegal immigration.

With regard however to economic migrants sourced by illegal gangmasters, it is perhaps possible to speculate the potential impact due to how the labour is procured.

- Willingness to work for less than minimum wage.
- Attractive to unscrupulous gangmasters.
- Lack of taxes back into economy.
- Increased exploitation.

6. 8 and 9 difficult to fully respond to these questions.

There is some research nationally which examines the linkages with migration as a growing solution to elderly people health care.

Re question 8 the impact locally in health care and schools. Our GP registrations presently stand at 79,000 against an official population of 58,300 and increased numbers of people attend A and E at the local General Hospital (rather than GP) due to a lack of understanding about health care provision in the UK. Many local schools have up to 50% of children with English as a second language (average in many schools is 35%).

Re Links between taxes and use of public services is a really difficult one to quantify. There is an increase in advice services which is a result of other service providers inability to deliver adequate information. A lot of evidence from police, health etc on increase in numbers and ability to deliver services to a wider population without adequate resources.

Also note attachment enclosed headed Housing and Economic Migrants and increase on enforcement activity as a stark example of pressure on local resources, difficult for a small local authority tight on resource capacity.

7. In the main still having difficulty accurately quantifying GDP impact.

However, regarding housing, we have experienced large increases in buy to let across all house types (ie to be turned into Houses in Multiple Occupation: HMOs) but particularly terraced housing which would usually serve the first time buyer market. The Haven Village development also saw high spec town houses priced at
200k + three years ago snapped up by investor landlords. This new housing development is now almost wholly occupied by economic migrants.

An early draft of the Housing Market Assessment Executive Summary section reveals that increase in migrant worker numbers does not seem to correlate with an increase in housing demand per se. It also reveals that Boston and Lincoln are strongest areas in economic activity and employment growth although this itself is not necessarily linked to the growth in economic migrants, but clearly is a factor.

I have separately posted a report on “The Dynamics of Migrant Labour in South Lincolnshire” produced by South Holland District Council, assisted by Boston Borough Council. This document is now two years old but contains the most up to date information on the economic impact of migrant labour in South Lincolnshire. It’s useful as a guide but needs to be treated with a degree of caution, as the further rapid growth locally continues to significantly alter the dynamics.

10 and 11. Again are difficult questions to respond to as we do not have the evidence base to support any constructive comment.

12. Again little evidence to support but local (above) and national research on the skills level of economic migrants reveals some quite high percentages of very well qualified people. Presently the accreditation system is very slow, but undoubtedly this growth represents a major opportunity to fill skills gaps in the UK with a swifter accreditation system.

13. Methods of data collection are inadequate and significant improvements to data collection are required from ONS.

NI numbers and GP registrations only provide a partial and temporary picture. Resource provision based on old Census information is flawed and perpetuates the strain on service providers who have witnessed rapid increases.

14. In principle it’s difficult to argue against the theory of the Government’s new points system. A tougher approach from British Embassies abroad to weed out false applications will place increased obligations on UK businesses and universities/colleges who in turn will be required to sponsor migrants and assist in ensuring visa terms are adhered to.

In practice? Without effective data collection, tracking systems, geographic recording of number of people/skills qualifications/industries employed, it will be very difficult still to ensure the right labour supply and skills is matched to the need in each area of the country.

Furthermore, while there are still too many illegal operations in procuring labour, simply bypassing the points system, exploitation will still continue, integration will still prove difficult and pressures on local services will remain.

15. The simple answer is yes.

— Improving the qualification accreditation system will fast track highly skilled individuals into high demand employment areas/jobs.

— Increase resources to the GLA to address continued illegal gangmaster operations.

— Government must work with Consulates and Embassies in other countries to devise an agreed system for labour procurement that benefits the UK and the countries of origin.

5 December 2007

Memorandum by Slough Borough Council

1. Migration has had a major impact at a local level in Slough. Councils have long been at the forefront of managing these impacts in terms of local economies, community cohesion, cultural differences and continuity of service provision and not just in recent years.

2. What is different in the current waves of migration to those gone past is not so much in scale and speed of migration (although this has been unprecedented since EU expansion in 2004) but in the failure of statistics to keep pace and reaction of central government to the management of the impacts resulting from migration.

3. Slough Borough Council has been responsible for implementing innovative services, conducting research and community cohesion programmes to meet the challenges of the impacts of migration since the turn of the century. The town has successfully integrated migration since the 1920s.
History of migration:

- 1920 migration from Wales, the North, Scotland, Ireland and the South to take advantage of growing local economy
- Polish migration in the second world war (130,000 Poles arrived in Britain during the first few years after the war)
- Windrush and Indian subcontinent immigration in 50s, 60s and 70s
- Current EU A8 and A2 migration.

4. As a result the town has the most diverse ethnic mix outside London with 37% of the population being classed as Black or Ethnic Minority, at the last census.

5. In a report entitled *Colour and Communities* examining the effects and impacts of migration from the Indian sub-continent and the West Indies in 1964 many of the impacts highlighted then mirror those being faced by the council today.

6. “The fact remains that Slough has a successful history of accepting large numbers and great varieties of people from other places. Past experience has demonstrated Slough’s ability to assimilate newcomers without severe or lasting difficulties, and in virtually all cases the newcomers have added something of genuine value to the life of the town. Perhaps it is not too unrealistic to think this could happen once more . . .” William H. Israel, Council Officer reporting on migration in 1964.

7. The difference between today and 1964 is that the impacts were taken seriously by the government and the reaction to alleviate them was collegiate, swift and effective.

8. There are many direct impacts resulting from significant migration to a local authority area such as pressures to schools coping with the influx of new intake, labour market distortions, housing, policing, fire prevention and refuse collection. However, the most significant impact remains an indirect one resulting from poor management systems within the UK and an unresponsive centrally controlled mechanism for local government funding.

9. Poor measurement of local populations in “hyper-diverse” communities has serious consequences to the management of migration at a local level. The failure to track migration accurately to and within the UK results in inaccurate population estimates with corollary under-funding for those areas where official statistics prove inadequate. This in turn results in pressures to all services, community cohesion risks and poor central and local planning of services. The council has published incontrovertible evidence of a population undercount in the town due to the inability of official statistics to measure current migration movement accurately (see Appendix A).

10. It is tempting in the debate around impacts of migration to look solely at the visible effects on the ground. Although this is important they should be viewed with consideration of the indirect impacts of poor management of data and statistics.

11. The following evidence illustrates these points which results from a series of independent studies and seminars the council has conducted into the impacts of migration to the town since 2002 (see Appendix A).

What are the numbers and characteristics of recent immigration? How can data on immigration be improved? How far has inadequate data affected public policy?

12. At the 2001 Census Slough’s population grew by 14% to 120,600. However, census returns were low at 86% and there is a possibility this growth underestimated the true population of Slough.

13. Between 1991 and 2001, Slough experienced the ninth fastest population increase of any local authority in the country. The population of Slough is now reported to be the second largest decreasing population in the country. This is due to inadequate measurement of migration used in mid year estimates since the 2001 census.

14. Mid year estimates are determined by data for the rate of births, deaths and net migration in local authorities. According to the ONS Slough’s population has declined considerably since 2001 by 4,000 people or 3.3%. The 2004 mid year estimates puts Slough’s population at 117,600.

15. The ONS estimates only 300 net international migrants came to Slough in 2004. National Insurance numbers issued in Slough for the 18 month period between 1 April 2004 and 30 September 2005, broken down by nationality show that of the 9,048 new national insurance numbers issued in Slough over an 18 month period to October 2005 only 150 (1.7%) were for British citizens. By contrast, over 41% were received from Polish and Dutch (Somalian) nationals.

16. Slough’s local data sets such as electoral register, housing stock, school rolls and service pressures all suggest a strong growth in population. The council estimates the true population to be between 125–135,000.
17. Slough Borough Council commissioned the Greater London Authority Data Management and Analysis Group (DMAG) to conduct a study of its population compared to ONS statistics. The analysis found that when the DMAG team’s figures and the ONS projection for 2006 are compared the ONS figure could be underestimating the actual population level by as much as 7,000 people.

18. The Office for National Statistics uses methodology to determine migration numbers that simply is not fit for purpose. The International Passenger Survey is conducted at a handful of ports of entry and samples only 0.2% of what is believed to be all passengers arriving in the UK. (250,000 people).

19. Of these 250,000 interviews only 3,100 were identified as migrants in 2003 (1.2%). The numbers are then apportioned to local authority level using formula based analysis. The room for error is enormous.

20. Warnings have been constant and consistent about the need to improve migration statistics.

21. “Shortcomings in measuring migration, for instance, led to difficulties in getting robust results from the 2001 Census, the main source for allocating over £100 billion to local authorities and the NHS each year. Work by the Statistics Commission three years ago indicated that there was very wide agreement across Whitehall that statistics relating to migration, both internationally and within the UK, need urgently to be improved. But thus far we have seen little evidence of real progress being made.” Professor David Rhind, Chairman Statistics Commission in a letter to Tony McNulty MP Home Office Minister 8th May 2006.

22. Although there has been some movement recently towards a plan of action to address the deficiencies in migration estimates the Office for National Statistics does not estimate it will bear fruit for between 5–10 years.7

23. The council would like to see substantial investment in a radical solution to measuring migration rather than the current intermediate efforts using the Labour Force Survey to supplement the International Passenger Survey. The council considers this to be “tinkering” round the edges of a much more fundamental problem. The revisions have failed to address the undercount in Slough.

24. The ONS has recently published “improved” migration estimates using the Labour Force Survey to supplement the IPS. However, this is another flawed data set as it misses many migrants. It does not survey communal properties such as hostels and is a small sample size of the local authority areas. The results do not reflect what is happening on the ground.

25. The Labour Force Survey has been used to distribute migration around the UK. Using the new methodology means that Slough has actually seen a decrease of 800 net international in-migrants since 2002. However, the new figures show that less people are leaving the town making a net growth in total population of 1,100 people since 2002.

26. The council is also concerned that at a time when there is an obvious need for increasing funding to the Office for National Statistics in order for it to cope with this challenge the organisation is losing experienced staff, relocating to Newport and undergoing tough funding restriction.

27. “It is ironic, and a source of concern, that the ONS can’t produce statistics on its own performance. Both the ONS and HMRC need to start listening to their users and working with them to alleviate the problems—real and perceived—arising from the efficiency programme.” Treasury Select Committee July 2007.

28. Public and Commercial Services union general secretary Mark Serwotka said: “One of the central aims of the efficiency programme was that services wouldn’t suffer, yet day in day out we are seeing backlogs and services damaged.” Treasury Select Committee July 2007.

29. Slough estimates it will lose £15million in grant up until the next census in 2011 because of inaccurate population estimates. This is only the tip of the iceberg as the authority will also lose funding for the growth of our population—it’s a double financial whammy.

30. Slough Borough Council has asked for a specific grant to be made available for those areas that are suffering an undercount due to inadequate population data. This could be constructed using proxy data such as local data sets (electoral register, school rolls, etc), the Workers Registration Scheme and national insurance numbers.

31. If this does not happen before three-year grant settlements are decided later this year council will be bound by a further period of under-funding resulting in community cohesion issues.

32. Chairman of London Councils Councillor Merrick Cockell, 30/07/07 said: “The government is still not taking this issue seriously enough. We must get things right before the three year funding settlement kicks in. These inaccurate population counting methods used by the ONS do not reflect the actual patterns of migration

7 Interdepartmental Task Force on migration
in London. The government needs to get them up to scratch quick or London’s councils will be locked into an inadequate finance settlement for the next three years. This would put London’s already stretched council services in danger of being severely overburdened.”

How has immigration affected public services such as health care, education and social housing? How does this differ across the country?

Housing

33. The fast pace of the changing patterns of our communities has created more pressure on space and resources and is significantly stretching the council (Slough was the 2nd most overcrowded town in the country at the 2001 Census).

34. The council has evidence of a rapid increase in the numbers of households of multiple occupation (HMOs): Slough’s own database now holds in excess of 1,050 records of small HMOs. Officers calculate that it will cost over £400k of new funding to license Slough’s HMOs in line with the new Housing Act 2004 requirements.

35. “Sheds with beds” (as described in a recent Panorama investigation Migration: How we lost count July 2007) have been constructed in the back gardens of properties in Slough. These temporary structures house large numbers of migrants on their arrival to the town. These structures do not have planning permission for residential use. The council needs specific funding in order to deal with the enforcement of regulations and with the consequences of “closing down” these inappropriate and dangerous forms of accommodation.

36. However, because the government use flawed population data in its own projections of housing need the official estimates for Slough show some perverse results. The Department for Communities and Local Government (DCLG) has recently published\(^8\) new projections of households for England and the Regions up to 2029.

37. The figures for Slough, when compared with the England, London and South East totals are surprising and disappointing. According to the latest DCLG figures:

- The number of households within Slough are projected to remain static from 2004 to 2016.
- The number of households within Slough will only increase by 3,000 between 2004 and 2029.

38. According to the DCLG projections, Slough will experience the 7th lowest increase in its household population between 2004–29 of any local authority in the country. Slough is the only Unitary Authority in the Country projected to receive a 0% increase in its number of households until 2016. Only five\(^9\) other authorities are in a similar position.

39. These housing projections show a complete disregard of the reality on the ground of the impacts of migration to places such as Slough. As more “sheds with beds” appear in the town central planning using flawed data suggest the town needs zero extra households. As such the concerns of the council and bids for extra resource have fallen on deaf ears.

40. “But as DCLG has had no evidence from the ONS that the population estimates in Slough or any other similar authority are under-estimated, there is no objective case for considering a specific grant.” Letter from Phil Woolas, Minister for Local Government, to Cheryl Coppell, Chief Executive SBC on 22nd June 2006.

41. Although the ONS does not give clear evidence of either an under or overcount of local authority areas it does make clear the limitations of the data it produces and has given advice to central government of the use of its estimates:

42. “There is now a broad recognition that available estimates of migrant numbers are inadequate for managing the economy, policies and services.” Letter from Karen Dunnell, National Statistician in May 2006 to four government departments.

43. “Until our research has concluded you may wish to consider how the estimates and projections are used and whether there is any scope for recognising the particular uncertainty for those parts of the country that are affected by relatively high levels of migration.” Letter from Glen Watson, Director Social Reporting & Analysis Group Office for National Statistics to Lindsay Bell, Director, Local Government Finance CLG December 2005.

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\(^8\) http://www.communities.gov.uk/index.asp?id=1002882&PressNoticeID=2374

\(^9\) Teesdale, Christchurch, Spelthorne, Burnley, and Isles of Scilly
Education

44. The council has responded innovatively to the sharp increase of children new to the UK accessing our schools. It was proving increasingly difficult to place new migrant children, particularly at secondary level, into our schools as a lack of recorded educational need of the children meant they were largely an “unknown quantity”. It is essential to place children in an education stream where they can succeed and where existing pupils will not be disrupted. In response to this and in partnership with our head teachers we established the Slough Assessment Centre at Beechwood School at which new migrant children spend time having their educational needs assessed before mainstreaming.

45. During the summer holiday period 2006, 89 secondary aged pupils arrived in Slough from other countries. The Assessment Centre can only cater for a maximum of 8 pupils at a time, although 4–6 provides a more effective teacher: pupil ratio.

46. The nature and mix of migration in an 18 months' period is demonstrated on school rolls. 888 pupils from non English speaking countries moved onto Slough school rolls over that time. 200 were from Poland, 185 from Pakistan, 104 from Somalia and 91 from India. The remainder were from other African, European or other Asian countries. Two primary schools in Slough have had to take in 60 Somalian and 50 Polish children respectively in just one term.

47. The centre also provides support for newly arrived parents. Many families new to the country have complex needs and require a level of information, advice or support that cannot usually be met by schools. By consulting new arrivals and their parents about their experiences and needs, the Assessment Centre has been able to provide comprehensive and accessible information. The cost of this, not least translation expenses, is considerable.

48. This single centre costs £92,000 a year to run but is proving to be insufficient. The council estimates it needs additional staffing for the Secondary Assessment Centre to enable more pupils to be admitted during peak times of the year. Two Primary Assessment Centres are also needed to improve the admissions process for younger new arrivals, help them settle in more quickly to the English educational system and provide comprehensive, accessible information for parents.

Unaccompanied children

49. From 1 January to April 2007 it is estimated 400 newly arrived Romanian Roma individuals (including children) arrived in Slough. Families shared often overcrowded and sub standard accommodation.

50. 88 unaccompanied Romanian Roma children between the ages of 10–17 years were presented to Slough children’s services requesting support in the same period. A temporary dedicated team had to be set up by Children Services. The Roma team provided support to 52 children. 36 were refused support as they have been assessed as being over the age of 18 or the council located family members in the UK.

51. All children claimed they travelled to the UK by lorry, the amount paid for this varied, usually around 75 Euros. Most said they left family in Romania or other EU countries and came to the UK for a better life. Each child was individually assessed and children’s services sought to re-unite children with their families as soon as possible.

52. Six young people had babies of their own and seven were pregnant. A high proportion of children had dental problems, including small children who are dependants. Eight children had been implicated in criminal activity such as theft, mugging or begging. A small number of children had been seen cleaning car windscreens at traffic lights.

53. The rapid reaction team cost the council an estimated £250,000. This swift action to deal with an unprecedented and dramatic event was essential in maintaining public trust and managing impacts of a very visible migration pattern.

54. The management of this impact should be considered in the financial context of the council. The town’s population is still considered by official statistics to be shrinking. The effect of this erroneous population count on the council’s funding is severe with an estimated minimum loss of £5–6 million in funding to date. The council has managed through four years of under-funding by driving efficiencies and using balances. It can no longer do this making rapid reaction of this kind unlikely in the future.
Other indirect costs of migration

55. Elected councillors have had to make some difficult decisions on the level of services they can provide in the forthcoming years due to the financial effects of poor migration data on the council. It is important that these are seen as a consequence of migration to the town and the government’s inability to track and measure population movement.

56. Since the 2002 mid year estimates councillors in Slough have had to set council tax at the capping limit, alongside delivering 13.2% efficiency savings, real cuts in services and reducing balances beneath the minimum recommended level of the Section 151 officer. When the financial benefits of migration are a net contribution to GDP through income tax is it fair that local residents are facing increased council tax bills and reductions in service as a direct result of the governments inability to keep pace with the statistics.

What impact has migration had on the labour market, including wages, unemployment and working conditions of the UK workforce? In what sectors and occupations are migrants employed? How does this differ from local workers?


58. Our research indicates that about 15% of organisations in Slough have employed new migrant workers and that a quarter of organisations in Slough expect to employ new migrant workers in the next two years. However, for those organisations employing the most people (50+ employees), our survey indicates these proportions are much higher, with about 40% of employers having employed new migrants and over half expecting to do so in the next two years.

59. The numbers of new migrants appears to be having some effect on Slough’s overall output. Seven in ten (69%) organisations we interviewed employing migrant workers agreed that new migrant workers had made a positive contribution to their organisations.

60. Amongst those employing new migrant labour, it was not uncommon for new migrants to account for 10–20% of their workforce.

61. In the Employer Survey, new migrants are identified as being most likely to work in elementary (60%), sales and customer service (12%) and skilled trade (10%) occupations. The majority of new migrants are working in low-skilled occupations and employers are paying on average £5.50 per hour (median) for this kind of work.

62. On the issue of wage levels, employers tend either to agree that these migrants are keeping wages down or say that they don’t know what effect new migrants are having on the local economy.

63. Organisations highlight a lack of indigenous applicants (54%), higher productivity levels (47%) and better work ethic (46%) as their main reasons for employing new migrants. A quarter (24%) of organisations say they employ new migrants because they can offer them lower rates of pay. The chief issue identified by these organisations when employing new migrants is the poor quality of their English language skills (34%).

64. These findings strongly suggest that new migrants are successfully fulfilling the requirements of larger firms by providing a flexible, cost-effective workforce at the lower end of the skills market and that this pattern of employment looks set to continue.

65. New migrants are being paid on average £5.50 per hour (median wage) and working a 40 hour week (median hours work). The average weekly earnings of a full-time working new migrant are £258.75 (median). To put this in context, the bottom 10% of full-time workers in the UK earn less than £244.10 gross per week. More than a third (36%) of the full-time migrant workers in this study fall in the bottom 10% of full-time earners and 58% fall in the bottom 25% of full-time earners. Only 6% of Slough’s new migrants earned more than the average median weekly wage for the UK.

66. 10% of new migrant workers in Slough are paid below the minimum wage and almost a quarter are working longer than the working hours directive. In the survey, we observed new migrants being paid £5 per hour when they should have been paid £5.35 per hour. This flooding of the lower paid jobs is having some displacement effects with existing communities.

67. At NVQ level 2 the Pakistani community is some 40% below that of the Indian community and 20% below that of the white community. This results in difficulties accessing jobs even in low skilled sectors, but is exacerbated by a decline in low skilled jobs at the same time as an increase in low skilled EU labour.

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10 About three-quarters (77%) of the organisations in Slough employ less than 10 people each. These organisations employ 14% of Slough’s overall workforce. The majority of Slough’s workers are employed by larger organisations: over 60% of Slough’s workers are employed by organisations with 50 or more staff.

11 ASHE 2006
68. The difficulties this community continues to have with establishing itself in the formal economy means that it operates in the more informal economy tending to be landlords, taxi drivers, fast food catering and undertaking a range of lower paid jobs. Our research and discussions with the local community demonstrates a feeling that some of this community is being displaced by the new incoming Polish community which has higher skills and is prepared to work for lower wages. This comment was recorded in the audit, “I’ve noticed Asian communities resent Eastern European communities as they are ruining their chances in low skilled jobs.”

69. New migrants are often well-qualified for work. About four in ten (39%) new migrants in Slough have had a university education, usually in their home country. Four in ten new migrants said they are in jobs where they use their skills to some extent. Even so, those new migrants with a degree earn more money than those without: £6.38 per hour (median wage) compared to £5.35 per hour (median wage).

How does migration affect the public finances? Do immigrants contribute more in taxes than they use in public services?

70. This is a question best tackled by economists. However, if the government is right and migration is a net contribution to GDP through income tax this money should find its way back to the councils that are coping with the management of increased migration.

71. Tony Travers, Director of London Group at the London School of Economics There’s no accounting for some people July 2006 and Migration works November 2006 said: “Town halls are trapped with all the costs but none of the tax benefits [of migration]. We need either vastly better data or—the better option—to allow councils to capture tax derived from local growth.”

Community Cohesion

72. This submission has not dealt with the issue of community cohesion. However, the council has conducted a Cohesion Audit which has revealed cause for attention. Different minority groups are beginning to perceive the tightening of funding, cuts to services and displacement in the labour market as negative aspects of migration. Communities perceive that they are in competition for scarce resources.

73. Ted Cantle, Associate Director IDeA and Chair Community Cohesion Review Team and author of the “Cantle report” examining causes of riots in Bradford, Oldham and Burnley in 2001, said of Slough’s Migration Works Seminar on 2nd November 2006:

74. “Slough Borough Council’s seminar is well timed. Migration to the UK works as evidenced in places around the country like Slough. However, building cohesive communities to harness the benefits long term takes resources. It is important that councils like Slough are funded correctly for their population size and complexity to make sure they continue community cohesion work.”

75. “Community tensions are sometimes caused by the perception of competition between groups over resources and councils have to be able to demonstrate that this is not the case.”

76. “The government needs to look with some urgency at funding areas appropriately where statistics are not keeping pace with what is happening on the ground.”

APPENDIX A

Evidence base:

1. Slough Seminar: There’s no accounting for some people
   www.slough.gov.uk/mycouncil/articles/11421.aspx
   Evidence presented by:
   — Peter Goldblatt, Director Centre for Demography ONS
   — Professor Les Mayhew, Mayhew Associates
   — Andrew Cooper, Populus Ltd.
   — John Hollis, Data Management & Analysis GLA
   — Professor David Rhind, Chairman Statistics Commission
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

2. Slough Seminar: Migration Works November 2006
   www.slough.gov.uk/mycouncil/articles/11421.aspx
   Evidence presented by:
   — Tony Travers, LSE
   — Professor John Salt UCL
   — Danny Sriskandarajah, IPPR
   — Ted Cantle, Institute of Community Cohesion
   — Russell Pask, The Research Unit

3. Populus qualitative research of new migrant communities July 2006

4. Slough migrant Study November 2006: Survey of new migrants, employers and stakeholders

5. Slough Community Cohesion Audit September 2006
   September 2007

Memorandum by Westminster City Council

INTRODUCTION AND BACKGROUND

1. Westminster City Council is pleased to respond to the request from the Lords Economic Affairs Committee to set out our concerns in relation to impacts of migration and in specific the impact caused by the use of inadequate population estimates and projections and the implications for the distribution of funding to English local authorities.

2. International migration levels to Westminster and surrounding boroughs have been traditionally significant, and recently published ONS figures, covering the years 2001–06 show Westminster as having the highest volume of international migration per 1,000 population in England & Wales. Westminster is uniquely placed therefore, to comment on the problems caused by non-robust national migration statistics on the resources of local authorities and the consequent impacts on the benefits of international in-migration.

3. Westminster has been at the forefront of research in a growing consensus within the public sector that flaws in national migration figures and the current definitions and formulae used to drive local authority, police and health service resources are so significant that they threaten mainstream services and community cohesion.

4. It should be noted that although there are direct impacts of migration to local authority areas such as the pressures to the private rented sector, overcrowded accommodation, rough sleeping, increased cleansing and refuse collection, the indirect impacts are greater still. Indirect impacts are those caused by the lack of accurate government management data. In the case of population estimates this is extremely urgent and will cause severe detrimental impacts in the forthcoming three-year grant settlements if not recognised.

What are the numbers and characteristics of recent immigration? How can data on immigration be improved? How far has inadequate data affected public policy?

5. Annual population estimates and projections for local authority and NHS areas use the 2001 census as a baseline and adjust for estimated annual changes in the number of births and deaths as well as the impact of internal migration within the UK and international migration to and from overseas. It is the distribution of migration patterns and their impact on service pressures which is of significant current concern to many local authorities including the City of Westminster.

6. On 24 April the Office for National Statistics published the initial conclusions for its Improving Migration and Population Statistics (IMPS) study and released indicative changes to the previously issued population estimates for 2001 through to 2005 for each local authority area.

7. Revisions to the 2004-based sub-national population projections was released on 27 September in the light of this new methodology and these are expected to be used as the primary population sources for the three year CSR 07 local government finance settlement which will be published in December.
Use of population estimates and projections to distribute government funding

8. In addition to the £26bn allocated through the revenue support grant system population data is also used to distribute the majority of local authority specific grants for social care services (eg children’s services, carers’ grant, supporting people). It also influences the targeting of regeneration funding via the Neighbourhood Renewal and Safer Stronger Communities funds (now being delivered via local area agreements) and is the denominator for the primary deprivation indicator used to distribute the £28 billion Dedicated Schools Grant (the main source of schools’ funding) by the DfES. Funding allocations to Primary Care Trusts through the capitation formula are also primarily driven by population.

9. It is therefore essential that the underlying population estimates are robust and credible. Unfortunately Westminster City Council believes that the current estimates are failing adequately to quantify population levels amongst “hard to count” areas which have large levels of international migration inflows.

Challenges faced by Westminster as a first point of arrival

10. Westminster faces particular challenges as it is the first point of arrival for a large proportion of new arrivals from overseas. An estimated 2,000 migrants arrive at Victoria Coach station each week on coaches which originate on the continent. This figure excludes migrants arriving on train, tube, bus and coach services from the major London airports.

11. Since the 2001 census Westminster has seen rapid population growth linked to increasing levels of international migration. The following research results outline the issues raised by Westminster regarding current population estimates.

— Westminster is the number one destination for working migrants accepted through the Workers Registration scheme—over 16,000 have registered in Westminster between May 2004 to March 2007.
— Over 34,000 residents of Westminster received a New National Insurance number between 2002–06—equivalent to 17% of our 2001 census population.
— Around half the rough sleepers in central London are now A8 migrants (Council survey December 2006).
— There has been a large rise in the numbers of migrants being supported through voluntary groups. Destitution amongst A2 migrants from Bulgaria and Romania who are not entitled to work permits is becoming an increasing issue in the City according to voluntary bodies in the Victoria and Pimlico areas who support refugees and migrants.
— Our 2006 Housing Needs survey has identified increasing overcrowding and household sizes linked in significant part to a growth in housing of multiple occupation. This is adding further to the acute pressures on affordable housing in the City where 44% of children already live in overcrowded accommodation.
— Thousands of migrants are not being counted within Westminster’s boundaries. Independent research has found that Westminster has over 13,000 illegal migrants within its boundary at any one time and that around 11,000 short-term migrants annually are “hidden” as they are not registered in official statistics.12
— Innovative research using ethnographic techniques conducted by ESRO suggests that some migrant communities in Westminster may be twice as likely to register for bank accounts and mobile phones than with state institutions such as with a GP or for National Insurance numbers.
— The ESRO research also found that the Office for National Statistics’ definition of a “household” does not accurately reflect the complex living arrangements of migrants in the 21st century.
— Research conducted by SQW and Local Government Futures shows that official estimates are not “fit for purpose” in areas as diverse as Westminster. This is backed up by the fact that the Office for National Statistics, responsible for compiling population estimates, refused to include Westminster in a test of the forthcoming 2011 census that was undertaken in May 2007. The ONS said: “our methods might be sufficiently good enough for more typical cities”.
— Local Government Futures research revealed: “We have found no evidence to suggest that the combination of the City of Westminster’s extreme characteristics have been considered, or addressed, by the current or proposed ONS methodologies for calculating mid-year population estimates between 2002 and 2005.”

A recent survey for the Local Government Association estimated that the cost to local authorities of supporting people with no recourse to public funds was an average of £818 thousand per local authority in 2006–07. Westminster City Council alone incurred over £1m in 2006–07.

At a population summit held by Westminster City Council and attended by approximately 30 other councils it identified the non-measurement of short term migration as a major problem: "Short term migration has a significant impact on the provision of public services in many local authority areas but migrants who are identified by the International Passenger Survey as planning to stay in the country for less than 12 months are excluded from the existing population estimates used to distribute grant funding. This approach will by definition exclude many international students planning to stay in the UK for a single academic year or migrants from Old Commonwealth nations such as Australia and South Africa as well as individuals from A8 migrant states whose intentions are not firm when they arrive in the UK. In the absence of an ONS short term migration dataset at local authority level (which is not expected until 2008 at the earliest) the government should introduce a specific grant for the CSR07 period to target resources at those authorities most affected by these communities. This grant could be distributed using proxy indicators such as WRS or NIINO data which are available at local authority level".

The summit also found a lack of clarity on the minimum standards of accuracy for population estimates and raised concerns about the relocation of the ONS to Wales linked to inadequate funding of migration estimates methodology.

Problems with the 2001 Census

Whilst the Office for National Statistics (ONS) regarded the national performance of the 2001 census as successful, within London, and Westminster in particular, serious shortcomings were identified. In 2004, following a high profile campaign by Westminster City Council, the ONS accepted that their previously issued population figures were wrong for the borough. ONS subsequently produced a revised population total for Westminster of 203,000 for 2001; this revision was regarded as the best estimate available and added an additional 17,500 people to the original census figure.

However, Westminster City Council considers that due to problems with the enumeration process, the high population turnover, the diversity of its population and more generally the large numbers of hard to count groups resident in the City this revised 2001 census figure remains an underestimate.

Concerns about ONS methodology for estimating international migration at local authority level

International migration estimates, which include only people who move to a country other than that of their usual place of residence for a period of at least a year, are currently based on estimates of Total International Migration allocated on the basis of the International Passenger Survey (IPS). International in-migrants are then allocated to local authorities on the basis of the distribution of in-migrants according to the 2001 census and thus any errors in the census will be compounded in the subsequent population estimates.

In the revisions published on 24 April 2007 the ONS linked to the publication of the results of its Improving Migration and Population Statistics (IMPS) study it announced that it was intending to supplement the migration estimates identified through the IPS with data derived from the Labour Force Survey (LFS). In the ONS’s view this was designed to improve the distribution of migrants between regions and also to individual local authority areas. The LFS is a quarterly sample survey of households living at private addresses in Great Britain and its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The Labour Force Survey, however, has significant drawbacks as a tool for allocating migration as it has an even smaller sample size of migrants than the IPS and does have any significant coverage of communal establishments or housing of multiple occupation.

Independent research commissioned by Westminster found:

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12. The foundation of all UK population statistics is the decennial census, but this foundation has been shaken over the last two decades. The 1991 census was considered a failure in national terms, largely as a result of the introduction of the Poll Tax (Community Charge) which provided an unwelcome incentive for some people to avoid completing the form, or for missing members of their household off the return in an effort to avoid paying this new form of taxation.

13. Whilst the Office for National Statistics (ONS) regarded the national performance of the 2001 census as successful, within London, and Westminster in particular, serious shortcomings were identified. In 2004, following a high profile campaign by Westminster City Council, the ONS accepted that their previously issued population figures were wrong for the borough. ONS subsequently produced a revised population total for Westminster of 203,000 for 2001; this revision was regarded as the best estimate available and added an additional 17,500 people to the original census figure.

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17. Independent research commissioned by Westminster found:
18. “We do not believe the recent proposals by ONS, to incorporate the use of the Labour Force Survey within their methodology for allocating inward international migration flows amongst local authorities in England, will more accurately reflect the extreme characteristics of the City of Westminster. Consequently, the new ONS proposals will not more accurately reflect the City’s resident population. It is clear that, until the City of Westminster’s extreme characteristics are reflected in the ONS methodologies, the midyear population data produced for the City will always be inaccurate.” Local Government Futures September 2007.

19. The Office for National Statistics’ rationale for using the Labour Force Survey in the formulation of TIM estimates is not robust, as the relevant Labour Force Survey migration sample sizes are actually smaller than those of the International Passenger Surveys. SQW September 2007.

20. The ONS also announced its intention to adopt a propensity to migrate model to produce estimates of out-migration at the local authority level and changed the basis for making assumptions about individuals who switch their intentions between being a short term visitor or a long term migrant. However this latter data is only informed by people leaving the UK and not by those switchers who decide to stay permanently.

21. The council contests the assumptions made by statisticians and politicians regarding migration. On too many occasions public statements have been made as fact regarding the assumed behaviour of migrants which have not been backed up by research. For example:

   — “That these figures are lower than previous estimates [revised population estimates] simply reflects the reality that many migrants to the UK who arrive in London quickly move on (including many of those you indicate as arriving through Victoria Coach station).” Letter from John Healey, Treasury Minister to Sir Simon Milton.

   — “The improvements that the ONS is making to its methodology makes the information more accurate and improves quality.” Angela Eagle, Treasury Minister.

   — The Home Office used a report that suggested just 5–13,000 migrants would arrive in the UK on the accession of EU A8 countries. The Home Office paper, coordinated by the University College London economist Christian Dustmann, said: “Estimates for the UK range between 5,000 and 13,000 net immigrants a year.” Guardian 2 September 2006.

   — The Home Office says its best estimate of illegal immigration is 430,000 but the number could be between 310,000 and 570,000. Immigration Minister Tony McNulty said the figures were a “best guess”. “By its very nature, it is impossible to quantify accurately, and that remains the case,” he said. BBC Online 30 June 2006.

   — Migration figures released by the ONS earlier this month [April] suggested that approximately 56,000 Poles entered the UK in 2005, although the Department for Work and Pensions has issued figures suggesting that over 170,000 Polish citizens applied for National Insurance numbers in the same year. Observer 29 April 2007.

22. Westminster’s research shows that migration is complex and assumptions made will not fit migration patterns uniformly throughout the country.

Poor management data impacts on local communities

23. The cumulative effect of the population revisions changes announced on 24 April in London was a loss in population of over 60,000 residents between mid-2001 and mid-2005, most of which is attributable to the change from the use of the IPS to the LFS at the regional level. Westminster saw a reduction to its previous migrant allocation of around 15,500 which the City Council believes is counterintuitive. This resulting relative loss of population does not reflect our experience on the ground and evidence from a number of boroughs and other authorities to the contrary.

24. Westminster City Council believes that they will lose up to £18 million before damping in funding per year because the government is not properly counting population. The potential loss of £18 million per year would be the equivalent of an £150 increase on top of the average band D council tax bill in Westminster. However, last year the Council gave a commitment given to residents that they would not increase council tax by more than 2% per annum until 2009–10, subject to the need to maintain financial prudence. The alternative would be facing difficult decisions in relation to social care services where there is a major threat to our future funding. The council says the mismanagement of migration will affect services as three-year funding for councils at the end of this year will lock them into settlements that disregard these “hidden” communities.
25. There is mounting evidence from alternative estimates, the Statistics Commission, the Audit Commission, the Governor of the Bank of England, and the ONS that suggests that the population estimates significantly underestimate the scale of international in-migration nationally. This reflects the weakness of using small sample survey data to generate information on the migration patterns of hundreds of thousands of individuals.

26. Of those sampled by the International Passenger Survey in 2005, for example just under 3,000 were in-migrants as opposed to permanent UK residents. If the samples from the three largest airports (Gatwick, Heathrow and Manchester) are excluded only 79 in-migrants were in fact interviewed by the ONS through the IPS in 2004 for all the other UK airports combined (including Liverpool, Stansted and Luton which have the largest proportion of low cost flights from central and eastern Europe). Similarly in 2005 only 17 migrants coming through the Channel Tunnel were interviewed under the IPS. Westminster questions whether these sample sizes—which will drive the data for the distribution of NHS and local authority funding over the CSR 2007 period—are sufficiently robust to measure the true quantum of migration into the UK.

27. The current assumptions about migration which are derived primarily from survey-based methods need to be supplemented by a more rigorous review of local datasets held by local and central government as well as seeking evidence from the business and voluntary sector. This requires a more pro-active approach by government departments to data sharing.

28. There has been widespread criticism of the methodology used by the Office of National Statistics to measure migration dating back to an investigation conducted by the Statistics Commission in October 2003—The 2001 Census in Westminster: Interim Report.

‘...it is a fact that whatever the true population in Westminster on Census night, the population now—two years later—could be significantly different. The churn in population in inner urban areas, and especially in Westminster, is high, with up to a quarter of the electorate on the electoral register changing annually. We know that methods currently used for measuring migration into and out of the UK, and between local authority areas, are unreliable. Particularly unreliable are the estimates of international emigration and immigration into and out of Central London. Without improved methods, up-dating population census figures is liable to error.’

29. The Statistics Commission has written to government departments alongside the Office of National Statistics to further reinforce the consequences of using “limited” population data.

‘There is now a broad recognition that available estimates of migrant numbers are inadequate for managing the economy, policies and services.’ Letter from Karen Dunnell, National Statistician in May 2006 to four government departments.

‘Until our research has concluded you may wish to consider how the estimates and projections are used and whether there is any scope for recognising the particular uncertainty for those parts of the country that are affected by relatively high levels of migration.’ Letter from Glen Watson, Director Social Reporting & Analysis Group Office for National Statistics to Lindsay Bell Director, Local Government Finance CLG December 2005.

Short term migration

30. The existing population estimates and projections issued by the ONS only include migrants who intend to stay in the country for more than 12 months. Individuals planning to stay for less than 12 months are classified as short term migrants.

31. This approach will by definition exclude from the existing population estimates many international students planning to stay in the UK for a single academic year or migrants from Old Commonwealth nations such as Australia and South Africa as well as individuals from A8 migrant states whose intentions are not firm when they arrive in the UK. Until and unless these individuals leave the UK any switching from being a short term migrant to a “permanent” resident will not be identified through a change in the national quantum of population through the International Passenger Survey. If there has been an increasing trend in recent years for short term migrants to decide to remain in the UK permanently this may not be adequately captured therefore through the current methodology leading to the underatement of the nation’s population.

32. Whilst the majority of short-term migrants may arrive in the UK without families so they make fewer demands on some of the more expensive forms of public services such as education and children’s social care, they still use a range of local authority services which means that the authority incurs costs whether it be in relation to waste management, leisure provision or housing. In addition short term migrants who fail to find jobs, or lose their jobs and who are not entitled to or have only limited entitlement to benefits may become homeless and destitute.
33. The ONS has recognised the need to produce a robust short term migration dataset at regional and local authority level but this is not expected to be available until late 2008 at the very earliest. Experimental national estimates are however expected to be published in late September 2007. In view of the acute pressures being placed on local services by short term migration it is imperative that the production of a short term migration dataset is prioritised by the ONS—this should be supported by new resources from HM Treasury if required.

34. In the absence of a consistent ONS short term migration dataset at local authority level Westminster considers that the government should introduce a specific grant for the CSR07 period to target resources at those authorities most affected by this issue. This grant could be distributed using proxy indicators such as WRS or NiNO data which are available at local authority level. It would be inappropriate for this issue to be ignored until the next spending review.

2 October 2007

Examination of Witnesses

Witnesses: Sir Simon Milton, Local Government Association. Councillor Colin Barrow, Westminster City Council, Mr Andrew Blake-Herbert, Slough Borough Council, Mr Mick Gallagher, Boston Borough Council and Ms Tracy Turner, Chair, SOLACE (Society of Local Authority Chief Executives and Senior Managers) Migrant Workers Group, examined.

Q439 Chairman: Good afternoon, welcome to this Committee and to our inquiry on the economic impacts of immigration. I wonder if I could start by reminding you and reminding ourselves that we need to speak up, speak clearly and relatively slowly, and then we get an accurate record of what everybody has said. Also, I wonder if you could briefly introduce yourselves so that we have that on the record, as to who has come to give evidence. I do not know whether you want to make an opening statement or whether we can go straight on with the questions. If I may say so, it is not necessary that all five of you answer every question, unless you feel it necessary; we want to get the flavour of what you have got to say in the most effective way we can. Would you like to quickly introduce yourselves and then we will get on with the questions.

Mr Blake-Herbert: I am Andrew Blake-Herbert. I am the Director of Finance and Property from Slough Borough Council.

Councillor Barrow: I am Colin Barrow, Deputy Leader of Westminster City Council.

Sir Simon Milton: I am Simon Milton. I am Chairman of the Local Government Association. I also happen to be leader of Westminster City Council, but I will do my best to let my colleague field the Westminster questions.

Ms Turner: I am Tracy Turner. I am Director for Communities at Uttlesford District Council, but I am here representing the SOLACE (Society of Local Authority Chief Executives and Senior Managers) Migrant Workers Group.

Mr Gallagher: I am Mick Gallagher. Chief Executive of Boston Borough Council.

Q440 Chairman: Fine. A number of London councils have said that they have lost out unfairly in financial terms, due to the recent revisions by the Office of National Statistics to estimates of the number of migrants in their areas. Can you say what is wrong with these revised estimates and whether any councils have benefited rather than suffered from them?

Sir Simon Milton: The overall view in London is that London’s population has been under-estimated. The population estimates were reduced by the Office of National Statistics by 110,000 overall, which does not accord with the views of London councils and what they are experiencing on the ground. The evidence is variable across the capital city and those who have certainly recorded adverse impacts include Waltham Forest, Barking, Dagenham, Newham, Croydon, Westminster (which you will hear about), but some councils have actually recorded increases and gains from the revisions, and those include Hounslow, Lewisham, Sutton and Southwark. However, because of changes in the formula grant system which the Government has just announced, all of those population gains by those boroughs have been eradicated because they are all going to be on the funding floor for other reasons. So they have made no gain at all from the recognition that their population has increased.

Councillor Barrow: The evidence of the Office of National Statistics is being questioned by a whole range of voices—the Audit Commission, the Statistics Commission, the Governor of the Bank of England, all suggesting that these estimates significantly under-estimate the scale of international migration particularly. I can talk at length about the problems with individual survey mechanisms, but suffice it to say at this stage that there are two classes of people who live in quite substantial numbers in Westminster whom the government statistics either do not recognise for the purposes of funding or do not recognise at all. Those are the people who say to the nice lady with the clipboard that they do not intend to stay here for longer than 12 months; those people are not counted for the purposes of funding local authorities. The other group of people, much
more difficult to measure, are people who are illegal immigrants, and we know from Home Office information that there are very substantial numbers of those. It is Westminster’s experience that very substantial numbers of those people are attracted to a major centre of population with a very substantial grey and indeed black economy in which they can work and live in some way. So we believe that these particular egregious errors in the counting have a disproportionate impact on London, have a disproportionate impact on large centres of population and have a disproportionate impact on Westminster in particular.

Q441 Chairman: Can I just follow that up? Are those classes of people who are not counted the explanation as to why the numbers are different, or are they over and above the numbers?
Sir Simon Milton: Over and above.

Q442 Chairman: They are over and above the numbers that are different.
Councillor Barrow: To assist you, the numbers in question in Westminster, we believe—because we commissioned independent research to look at this—are 13,000 people staying for less than 12 months and 11,000 illegal immigrants. This is an independent ethnographic survey; about 10% of Westminster’s population.

Q443 Chairman: That would be over and above your share of the 100,000.
Councillor Barrow: Yes.

Q444 Chairman: How much is your share of the 100,000?
Councillor Barrow: We cannot be precise about that, but it could easily be 10%.

Q445 Lord Skidelsky: What are the costs of the illegal, the anonymous, the people who you do not know are there, for which an additional grant might be justified?
Councillor Barrow: There is one obvious category, which is that they all generate waste; it is impossible to live in any area without generating a proportionate part of that. 13% of the students in our schools are definitely refugees, they are in the refugee category, so while those are not in the numbers that I have just referred to because they are, by the nature of counting, legal, there will be a correlation between the number of refugees coming to this part of the world and the number of short term and illegal migrants coming to this part of the world. We do not have responsibility for housing, except in extreme circumstances such as those of asylum seekers, where there is a substantial funding gap. Of course, the impact on the rest of the public sector is much greater than it is on local authorities—these people use A&E, for example, or come to the attention of the police in the appropriate proportions.

Sir Simon Milton: Local authority budgets are fixed and so we have to manage with what we have got, so we do not have figures to answer your question where I can give you a precise breakdown of the costs because we just absorb those costs and spread what we have much more thinly. There is no doubt that there is additional cost and if additional money was there it would go towards making services better for everybody.

Q446 Lord Lawson of Blaby: Whilst we are on the subject of statistics it is widely agreed by everybody that the statistics are a complete mess. The Office of National Statistics, as you know, told us that the local councils actually have quite a lot of useful immigration data which, if it could be put together, would help to get an accurate statistical picture, but because different councils use different methods there is nothing they can do about it. First of all, do you have this extra information? Is the ONS right that they cannot take it on board because of the different methods you use and, if they are right about that, what are you, and in particular what is the Local Government Association, doing to put all the statistics on a comparable basis so that they can be made use of?

Sir Simon Milton: That was a slightly disingenuous answer you had, if I may say so. It is certainly true that councils hold administrative data such as electoral registers; however, the reason councils invest in finding more information for their localities is in order to plan services for their localities more effectively, not to be part of some national count. If that were to be required we would clearly have to do that differently, but actually the wealth of administrative data, which is what we are talking about, is not necessarily held at the local level but at the national level—I am talking about things like the national pupils census, national insurance number registrations, housing benefit records. All of these things are held nationally: there are currently, I am told, legal impediments to the information being shared more widely, but if you were to aggregate the national and the local administrative data, you would start to build a much richer picture of what was going on at a local level. None of those administrative records are in and of themselves adequate proxies for population count, but aggregated together, as I say, you do get a clearer picture which allows you to cross-reference against the ONS national counts and to see whether they make sense or not.
Mr Blake-Herbert: As an example for one of those, the Office for National Statistics refuse to use child benefit data because they say it is an under-count of the number of children living in an area. But actually the Office for National Statistics currently estimate there are less children living in Slough than the number of children receiving child benefit in Slough. So if some of those national data sources could be used as part of a quality assurance exercise around figures, that would certainly give local authorities far more feeling in terms of how accurate and how robust the figures were.

Q447 Lord MacGregor of Pulham Market: The Local Government Association recently urged the Government to set up a £250 million a year migration contingency fund to deal with the effects of the pressures on public services. Presumably that was based on some idea of cost to the local authorities? Is that correct and, if not, what was it based on? Could I also ask you to say whether there is any difference between rural and urban areas? It is striking on the map that was provided by the Local Government Association that in East Anglia and Lincolnshire there is a very high proportion of immigrants, and I would be interested in Mr Gallagher’s response on that last part.

Sir Simon Milton: The £250 million was based on an estimate by local authorities, if you like, a best but conservative guess as to the additional cost. We do not have an accurate figure, for the reason I explained to Lord Skidelsky, which is that we simply have to manage the demand within our fixed budgets and we do not ask people their nationality; we actually record people’s ethnicity for the purposes of ensuring fairness not their nationality. We therefore do not have that information. The figure was actually 1% of the revenue support grant that comes to local authorities, so our view was that our population was certainly undercounted by 1%, and that would be a fair sum of money to put forward as a fund which councils that were experiencing particular pressures which were not captured by the figures could make bids for. The problem with statistics is two-fold. It is both the quantum—are we measuring accurately how many people are coming into the country?—and that is something you could probably do something about. But more specifically following that, it is the distribution—where do they go once they are here? You will hear from Boston about the huge surge of population they have had which is not being measured effectively but which I think would make them justified in saying that they need some additional grant to meet their needs.

Mr Blake-Herbert: Could I just add a slightly different angle to that? It is not just about the costs of new migrants, it is also about the formula and how that works for local authorities. For example, as Sir Simon mentioned, it is about the allocation once they arrive in the country and where people go to, and it can be migration from Putney or from Poland in terms of that impact. For example, at the last census Slough was the ninth fastest-growing population in the country. Based on the current formula used by the Office for National Statistics, it has gone to being the second fastest-declining population in the country. Based on everything we see, all of our data sources and all of our knowledge, that is a nonsense—the population is continuing to grow as we see in everything that we are doing in providing support. But because the population is supposedly falling, we are actually losing money. That is one of the key issues.
Q449 Lord Best: Can you say what differences there are with the latest wave of A8 migrants compared with their predecessors and what public services, in particular, have seen greater demand as a result of the recent waves of immigrants, probably not the Portuguese in your communities, but the A8 elsewhere.

Sir Simon Milton: The predominant age group of A8s coming over is 18 to 34. The main service impacts have been on language provision and, interestingly, the Government wants us to spend less on translation and interpretation at the same time as reducing funding for English language classes—so I am not sure how that works—also housing and, in particular, the cost to councils of inspecting HMOs (houses in multiple occupation) which is where most A8 migrants start when they come to this country, though they may move on. We have real concerns about very poor quality housing being used to house workers, whether it be in caravans and mobile homes or in buildings where they are crammed in hostel-style, sleeping in shifts in the same room, in the same beds. That requires, for health and safety purposes, councils to be quite proactive in investigating what is going on. After that, there is a range of other services which are impacted, including obviously the turnover in schools which you have heard about. Child protection is one that you do not immediately expect, but where children are brought over and there are child protection issues it is very expensive because there is no record or history of the child and the family in this country; you have to go to their country of origin, through their social services system, to access the kind of information you need. So even though the numbers may not be great, the costs per case are very high and then there are issues to do with health services which you have also heard.

Councillor Barrow: If I may add a small point—this is probably an area with which Lord Best will be familiar—there is a considerable degree of competition for rented housing accommodation, in which pool the city council also fishes for its own social housing provision, so it makes it much more expensive—it is an indirect effect, not a direct cost. There are specific costs: in Westminster’s case, for parental care costs for unaccompanied asylum seeker children we see around £1 million; we see £1 million for destitute asylum seekers; we see translation costs that are very high—120 first languages spoken in schools, as Sir Simon has mentioned. If we were to follow capitation, then we would receive formula grant of an additional £18 million. I have given you three examples which are £3 million and then there might be some more in the form of these indirect costs in relation to housing. So it is not an implausible number that Westminster alone might justifiably claim 6 or 7% cent of the £250 million fund. The second point to make about A8s in particular is that fewer come with their families than previous groups of migrants; that puts pressure on housing but relieves the pressure on the other family-based services.

Mr Gallagher: Can I make a point of clarification on the question that you asked because there is a slightly different experience in Boston. Initially it was the Portuguese community that started to take jobs in the agricultural industry about five years ago, but they have been displaced by A8s now in a significant way, and there is anecdotal evidence to suggest that there are raised tensions now within the settled Portuguese community because they were displaced from accommodation and from their jobs when people from the A8 countries accepted the minimum wage and indeed, in some cases, below the minimum wage levels and effectively took their jobs. We are experiencing an increased settlement of people from the A8 countries and, even though they are young, they are now settling in the community. We have had many children born recently as well to people who are now staying within the community. So although it is a younger age group they are staying and they are having families; you can see the evidence of that with the increase in schools population as well.

Ms Turner: One of the other effects is that because they are predominantly young, highly skilled, independent people they have a different pattern of usage of council services; for instance, for county councils, they are a heavy user of library services, particularly internet provision and reading materials but less so for other county services. The other side of the education provision is that new migration is actually keeping the small village schools going in areas where the roll was falling off to a point where the school was unstable, but is now able to continue. It has pros and cons.

Mr Blake-Herbert: If I can pick up one or two points there from Slough’s perspective, one is about schools and migrants coming in. They are coming here and they are coming here to make a difference. In fact, for the second year running now, we have had the tenth best GCSE results in the country and that is despite, from the September intakes, having over 60 Somali and 90 Polish children each year for the last three years taking up places. As part of that, the secondary schools can refuse to take children without an assessment. A lot of the children who are arriving are coming without academic records, so one of the things we have found we have had to put in place is an assessment centre. Every child whose first language is not English goes through the assessment centre. Every child whose first language is not English goes through the assessment centre for a week and comes out at the other end of it with an academic record to enable the secondary school to take the children in, to be able to stream them and enable them to provide the right support so that they
do not disrupt the rest of the class when they go in. That has been a key part, but falls as a cost to the council to provide. The second part, just picking up on one of the earlier comments, is about houses in multiple occupation. In terms of our funding, we are funded to pick up and look at houses in multiple occupation that are three storeys or higher. That is what we are funded to do and support, and in Slough in the last 18 months we have had over 1050 two-bedroom semi-detached homes, becoming houses in multiple occupation. To get together a team to be able to go through and be able to inspect those and register them, to protect in terms of health and safety and well-being, both the individuals in them and the surrounding properties, will take a considerable sum.

Mr Gallagher: Could I add to that by saying that I fully support that point, that we concentrate on problems and issues but there are benefits and opportunities to a community like Boston that was not a very ethnically diverse community and now the diversity has significantly grown, and the benefits that that is bringing to the community. We have people now who, once they have arrived to work in the agricultural industry, are now moving out of that; we are having new businesses set up and people are making a real contribution to the economy. We need to keep in mind that whilst there are great pressures on local authorities in trying to deal with this, there are many benefits and opportunities to develop communities like Boston that have not previously enjoyed those levels of diversity.

Chairman: I have no guarantee what questions my colleagues will ask, but some of the questions I see in front of me look as if they have been partially answered already. I have no doubt my colleagues will ask them in a way to get more information if there is any, but you do not need to repeat what you have already said. Lord Skidelsky.

Q451 Lord Skidelsky: Some of these points have been dealt with, but it is again a question of the impact of the costs of migration, the cost to local authorities of community cohesion and you have really answered that. I would like to ask about a specific cost for information; are local councils funded to provide English language training for what I think of as a typical A8 migrant, 18 to 34, single, no children? What English language training is being provided, what are the responsibilities of local authorities in that respect and is there a private sector provision, are they charged, are they subsidised? I do not know.

Mr Blake-Herbert: In terms of migrants arriving in the country they are not entitled to any benefits or any support for a minimum of 12 months, until they have worked here and demonstrated they have worked here in that way. So local authorities are not funded to support English language teaching of any kind. In fact the funding for that comes down through the Learning and Skills Council, as it was, as part of that process. But there is a responsibility on local authorities to provide and support the communities that live within its boundaries and to do that in the right way. Picking up on some of the impacts of recent migration, in Slough we have seen impacts on the lowest skilled parts of our communities in terms of employment rates, both in Pakistani males and Indian females. One of the things Slough Council does is support a number of local groups that provide skills training in the English language as part of that. But when there is a lack of funding available—and councillors have to make...
very tough decisions about the budgets—it is not areas such as child protection which they look at cutting, because they cannot; it is the other parts of the budget, the non-statutory parts, which have to be looked at and have to be looked at very carefully. So when the statistics are inaccurate and when they are not keeping pace with the real numbers on the ground and therefore the funding that is coming through is not coming through at a sufficient level, or in Slough’s case is actually being cut year on year, it means members have got very hard decisions to make about those services which can then impact on community cohesion. It is well-recognised by community cohesion experts that when varying communities appear to be fighting for limited resources and there appears to be preferential treatment, cohesion issues can arise.

Ms Turner: One of the other issues is that migration is now affecting rural district councils that have not previously seen anything like this at all and do not have the black and minority ethnic diversity that has certainly been seen in a lot of the established city centres. Those districts are now finding it very, very useful to work with other public sector partners within their local strategic partnerships and it is through those partnerships that they are really addressing some of the information needs and service needs in a multi-agency forum, in a joined-up way as much as they can, sharing information, really getting to grips with issues like English language provision and public service provision et cetera. One of the interesting partners which some of the councils are pulling into these discussions are trade unions who can access funds themselves to supplement business English within local firms.

Q452 Lord Skidelsky: I do not feel I have had an answer to my specific question. If I am a Polish migrant and I want to learn English, do I have to pay or do I get it provided free by whatever group is funded to do so?

Sir Simon Milton: It is a mixed pattern. There are some subsidised courses but they are being cut back, so the answer to your question is that you are very likely to have to pay.

Mr Gallagher: In Boston, for example, it is the FE college that provides those courses, but they are having their subsidy cut. So to echo what my colleagues have said, that is either met by the individual or by the employers, and some employers are very good at meeting those costs but others are not, and in fact some employers are not very good at even persuading people to take English language courses at the local college as well. So there are negative impacts either way there. Learning the language is the fast track to the integration process, but some people are actually being deprived of the opportunity to learn the language and then the college is struggling to provide courses because the subsidies are being cut.

Q453 Lord Griffiths of Fforestfach: I feel I am getting a picture which is emerging, but there are two different aspects and I do not quite understand how they match. On the one hand Councillor Barrow said, for example, that in terms of the quality of public services there is anecdotal but not hard evidence of inadequate services. Mr Gallagher has said that immigration is being managed well, but on the other hand you are saying there is a lack of funding which must, I take it, affect the quality of services and overall, if you look at the polls on immigration, clearly people would like to see less immigration, and Mr Gallagher again mentioned that in some schools 50% of the pupils were made up of immigrants. My question is, if you look at a particular area like, let us say, primary schools or secondary schools, what is your feeling about the quality of the service provided to existing non-immigrants in the community? I think to myself, if I had a child of seven I would have expected when the child was one or two that the child would go to a school of a certain size and so on and have a certain kind of education; now I am living in East Anglia and suddenly there is an inflow—I cannot believe somehow that I would not be agitated about that.

Sir Simon Milton: What happens in primary schools—and colleagues from authorities can confirm this—is that what schools seek to do is to put in place additional support for children who do not speak English in order not to disadvantage indigenous children. You can argue this on two levels: you can either say that that takes resource which is part of their school budget which would otherwise have been spent on provision or activities for indigenous children and therefore they are losing out, or you could say that even though that extra support is in the classroom it still cannot help but divert the attention of the teacher from teaching the whole class scenario, which is what schools are set out to do. We believe there must be some impact even though schools are dedicating parts of their budget to hiring additional support staff in order to not disadvantage the mainstream, if I can use that generalisation. Does that answer your question, sir?

Lord Skidelsky: It does.

Q454 Chairman: It is certainly an answer to the question. Is there anybody who wants to add anything to that?
Councillor Barrow: Just to say that somebody to assist somebody who comes from Bangladesh to adapt to a school and teach that child to speak English is going to be probably a different person from the person who is going to help the Polish child who is sitting next door to adapt. It is theoretically impossible and what tends to happen—which happens to my son actually—is that the whole provision just declines a bit in order to make sure that everybody can come along with whatever is being provided.

Q455 Lord Macdonald of Tradeston: I would just like to ask about the proportion of migrants in the workforce employed by local councils and in what lines of work those migrants are concentrated, and how that has impacted on your provision of public services. Presumably it has helped keep the wage rates down in the sense that you have got plenty of workers volunteering who might not have been there before. A second question, really for Sir Simon and Councillor Barrow; Westminster is noted for its efficiency and indeed celebrated for the fairly low council tax that people pay. In a relatively wealthy borough like that, why not just put up the council tax and solve some of that £18 million problem you have? Sir Simon Milton: We will deal with Westminster’s council tax at the end. Let us try and get some non-contentious answers first. Do you want to start, Andrew?

Mr Blake-Herbert: Just picking up on that first part, I guess my starting point for that is, what is your definition of a migrant, is it first generation, is it about the recent accession eight or wider? Certainly in terms of the workforce for Slough, we have a workforce that matches our community; we have the most diverse community outside of London, some 37% at the last census, and across all of the tiers within the council we genuinely have a workforce that represents the community that we are supporting, and that is needed as part of making sure we are providing the right type of people, the right type of services to the communities that live within our borough.

Q456 Lord Macdonald of Tradeston: I have talked to key workers in Slough who say they actually live in Wales and travel in because they cannot find accommodation in Slough itself.

Mr Blake-Herbert: They certainly do. We do have people who travel as far as that to come in and work in the borough.

Sir Simon Milton: Across the public services as a whole, the biggest area where migrants have made a contribution to the workforce is in social care and health and the experience is that they tend to come in at fairly low level jobs and as they acquire English language skills they then progress to higher paid jobs within those sectors. In different parts of the public service you do get interesting little hot spots and so, for example in London, you will find a very large percentage of Antipodeans working in the planning service because they happen to have qualifications which are applicable in this country and they are handling planning applications all over London. Social care and health are the main categories, however, and remember that we do not categorise the workforce by nationality, we only count ethnicity.

Mr Gallagher: I would simply echo what my colleagues have said, it is mostly in health and social care.

Q457 Lord Macdonald of Tradeston: In general, it has helped keep the wage bill down I suspect?

Mr Gallagher: Within the public sector?

Q458 Lord Macdonald of Tradeston: Yes.

Mr Gallagher: No, I would not say that.

Sir Simon Milton: Public sector wages are set through national bargaining.

Q459 Lord Best: But public services are subcontracted quite often.

Sir Simon Milton: Some are, yes.

Councillor Barrow: Our waste contractor is Veolia and approximately 16% of the people working on the Westminster waste contract are from A8 countries.

Q460 Lord Macdonald of Tradeston: There was my other question: why not just put up the taxes and the wealthy could pay for the poor?

Councillor Barrow: We could put the council tax up but the scale of the problem is very much larger than that. An £18 million funding shortfall and a £40 million council tax base shows the degree of the issue that we are dealing with. It is too big a problem for the council tax.

Sir Simon Milton: If the council was to increase its budget to the maximum permitted under the Government cap of 5%, it would generate another £1.5 million, so it is nothing like the scale that we are talking about.

Q461 Lord Lawson of Blaby: Just one quick follow-up from one of these. We heard earlier in the very interesting session that we have had today some pretty convincing examples of where the official statistics of the immigrants of particular local authority areas are way, way out and way below what you, with good reason, believe to be the population. How much success are you having in persuading the Government that your figures are right and their
figures are wrong and that they should act accordingly?

Sir Simon Milton: We have had great success in persuading the Government that their figures are wrong, much less success in persuading them that our figures are right. They acknowledge the scale of the problem with the ONS, and I believe ministers, in good faith, wish to see this fixed because they are worried above all about the credibility of the ONS and the knock-on effects that has in all areas of public policy-making. The most difficult thing is going to be to find ways which have credibility to apportion population within the UK. They can probably, with more effort and more resource, crack the nut of how many people are coming into the country and crossing our borders but it is the distribution that is most difficult. If there is one thought I would wish to leave the Committee with, it is that there is no doubt that this country has benefited hugely. The DWP figures, which we accept, talk about a net benefit to the UK of £40 billion, but that is felt to the national exchequer. The costs of handling that and absorbing that are felt locally, but currently there is no effective way of making sure that the benefits nationally find their way to the right localities.

Mr Blake-Herbert: Just to add to that, Slough has been challenging the figures quite publicly for about two and a half years now.

Q462 Lord Lawson of Blaby: I know.

Mr Blake-Herbert: I think we are very much at the point where people understand and realise that the official statistics are not accurate enough. To be fair to the Office for National Statistics, they have not got access to all of the national data sources that are available and they are trying to do the best they can with what they do have available and it will take time for them to be able to get that access. The task force which they have set up should enable that to happen and, as Sir Simon has said, we should be able to get more accurate figures going forwards, but the issue for me is about the short term impact that has on local authorities, hence the Local Government Association’s call for the £250 million. Whilst the Office for National Statistics are away trying to improve those figures so we can get more accurate numbers at a local level, it is very important that we get some funding put in place through a specific grant that local authorities can call on to enable us to support both new migrants but also the current indigenous population in the right way.

Chairman: May I thank you very much. I got the feel from my colleagues that they found your answers very helpful and germane to what we are considering and we are extremely grateful to you for coming along and answering our questions in this way. Thank you very much indeed.
Present  Best, L  Macdonald of Tradeston, L  
Griffiths of Fforestfach, L  MacGregor of Pulham Market, L  
Kingsdown, L  Paul, L  
Lamont of Lerwick, L  Skidelsky, L  
Layard, L  Vallance of Tummel, L (Chairman)  
Lawson of Blaby, L  

Examination of Witnesses

Witnesses: Mr John Martin, Director for Employment, Labour and Social Affairs, and Mr Georges Lemaitre, International Migration Specialist, Organisation for Economic Cooperation and Development (OECD), examined.

Q463 Chairman: Good afternoon and welcome to you both. Many thanks for giving up your time to come and give evidence to us this afternoon. Thank you too for your paper, which was circulated yesterday, which was very informative. I know you are old hands here and have been here before, but it is perhaps worthwhile my repeating the rules of the game and that is, if you can speak reasonably slowly and speak up that helps very much in terms of recording the procedures. Again, in terms of formalities, if you would like to start off by introducing yourselves and then, if you feel like making any introductory remarks, that is fine. If not, we will move straight on to the questions. If you would like to introduce yourselves first.

Mr Martin: Thank you very much, my Lord Chairman. It is a great pleasure for me to be here again to give evidence in front of you. My name is John Martin and I am the Director for Employment, Labour and Social Affairs at the OECD, and part of my responsibility is the field of international migration. I am accompanied by my colleague George Lemaitre who is one of our senior analysts in the field of international migration.

Q464 Chairman: Thank you. Would you like to make any introductory remarks?

Mr Martin: I think not since we have already submitted quite a lot of material. It is probably going to be more useful for your Lordships if you ask us some questions and we do our very best to answer them. We will split up the responsibility between us for replying. We may indeed have some supplements to each other’s answers as it were.

Q465 Chairman: Perhaps I could start by asking you for your views on what are the key differences, if any, between the UK’s planned points-based system and those of other high income countries, such as Australia and Canada? Are there any lessons that you think the UK can learn from other countries’ points-based systems?

Mr Lemaitre: I think it would be more accurate to say that the UK has two points-based systems, Tier 1 and Tier 2. The orientation is very different in each of the two systems. If we were to draw an analogy between the Canadian and the Australian systems and the UK’s proposed one, Tier 1 is much more similar to the Australian and Canadian settlement-based migration system and Tier 2 is fairly similar to their temporary migration programme. The first is oriented towards very highly skilled young people, recent graduates and older migrants, who have a very high salary in their countries of origin. The second one is much more geared towards answering the needs of the labour market. The systems relative to the Australian and Canadian ones are far simpler in their criteria. The Australian and Canadian systems are very complex; they have many more criteria for awarding points. I think there is a certain merit to the simplicity and objectivity in the UK approach. The Australian system has much more in the way of pre-screening of the candidates. As for the UK system, it does a pre-screening for language competency, but it also does a pre-screening for the occupations. I am talking here about settlement-based migration. You have to have an occupation that is on a skilled occupation list for instance. There is also a screening on the basis of qualifications, which is a sort of a pre-recognition process to see if they are appropriate for the occupation that has been specified and there is also a certain amount of experience required, either an Australian qualification or one or two years of work experience. The Australian settlement-based migration system also has an element of response to the needs of the labour market similar to the Tier 2 system in the UK, but it is not a strong element in the selection. The Canadian system tends to be a much flatter system in the sense that the points tend to be awarded on a continuous basis. I think anyone from 21 to 49 years of age gets the same age points. There is only five points difference between a PhD and a Bachelor’s degree. The points vary from five to 25. On language, you are awarded points for all levels of
competency, except none at all. It allows for many more possibilities of entry. There is probably much more room for playing on the margins. They are much more complex systems than the UK one. I think there is lots to be said for having the clear and simple criteria that are in the UK system. So you have the settlement migration system, that is Tier 1. Tier 2, with its labour market orientation, is very similar in certain respects to the Canadian and Australian temporary migration programmes, which are also skilled migration programmes, which are intended to respond to the needs of the labour market on a short-term basis, but where there are possible passageways from the temporary to the permanent system. Roughly speaking, that summarises the differences. The weak link in the chain with respect to Tier 1 is the fact that the earnings criterion is based on earnings in the country of origin. It is going to be very difficult to verify in practice that the earnings recorded are accurate. I think that just about covers it.

Mr Martin: I would just like to add one additional point which George mentioned because I think it is worth bringing out. The more that you try to develop a system that has elaborate pre-screening on a wide range of different characteristics, whether it is educational attainment, earnings, skills, age, applying some of this to spouses and relatives, the more it is a costly and more bureaucratic system to administer. So you also have to take into account that the more elaborate the system you try to develop, the more costly it is probably going to be to administer. I think it is fair to say that the Australian system and the Canadian one to some extent are fairly costly systems to administer.

Q466 Lord Skidelsky: In the Canadian system is there any easier entry for Americans or does it apply to all foreign entrants? I am just thinking whether there is a comparison with the A8 situation in the UK.

Mr Lemaitre: There is no preference at all within the Canadian system for any nationality. The Australian system has free movement for New Zealand citizens. That is the only comparable situation there.

Q467 Lord Layard: As you know, we have recently set up this independent Migration Advisory Committee to advise on the need for migrant workers to fill labour shortages. How feasible is it to identify skills shortages and, also, to identify which are suitable for filling with migrants? How do you think this can be done, and what can we learn from international experience?

Mr Martin: As you probably know, I am rather sceptical about the ability of much of these methods to identify labour and skill shortages in anything other than a very short-run context. With regard to the specific issues surrounding migrant workers, let me just cite two examples which I think certainly give grounds for caution. One is, for example, the issue concerning shortages of doctors and nurses and the extent to which these can or cannot be filled by migrants from other countries. A second example is towards the end of the 1990s, with the great IT bubble, there was an enormous emphasis on the need to recruit more IT specialists. Many countries expanded the capacity in their migration regimes to recruit skilled IT specialists from abroad. In fact, Germany, for example, instituted a Green Card system with very much this objective in mind. When the bubble burst, the need for these specialists suddenly disappeared and the migration regime suddenly had to cut back on this particular labour which was thought to be in shortage. One has to be somewhat sceptical because the record even for the ability to predict domestic skill shortages and use that information to influence information and training decisions in OECD countries would give grounds for some caution. That is not to say that it is not useful to have indications based on real-world vacancy and unemployment data, perceptions from employers’ surveys and the like, to give you some broad signals about where you might want to orient your education and training systems and the information that you might want to give to your citizens. The ability to turn off and on in some sense migrant workers and migration policies in order to ease such skill and labour shortages in a very short-term fashion does seem to me to be rather unlikely except in the specific circumstances of industries that have strongly seasonal and predictable patterns of demand, such as hotels or restaurants and agricultural industries, sectors where migrant workers in many countries do fulfill an important role in that.

Mr Lemaitre: That being said, I think there are a number of countries which do have shortage occupation lists which are identified in various fashions. In Australia there are points awarded for occupations that are on a list. This list is put together by the Department of Education, Employment and Workplace Relations. It is considered to be occupations that are in national demand with sustained employment prospects. In other words, they are not considered to be temporary shortages, they are considered to be structural shortages. In Spain there is a very elaborate system that it has developed at regional level. There are objective criteria applied, namely vacancies by occupation compared to unemployed persons in the same occupations and these are determined at regional level; there are essentially quotas established by occupation and region. This is an overly complicated and rigid system but, in practice, there is a certain flexibility in moving across occupations and an employer can always choose an occupation that is on a list but use a person in another area.
Q468 Lord Layard: I understand that there is another parallel criterion, which is whether the employer who is proposing to employ you, regardless of the name of the job, has been unable to fill that vacancy in more than a certain amount of time. Do you think that that criterion can be made to work or not?

Mr Martin: This kind of criterion, saying there is an employer with a specific job vacancy which he or she has been unable to fill for a certain time on the domestic labour market, of course does exist; it is the underlying principle of the H1B visa in the United States. The employer is supposed to pass a labour market test to demonstrate to you that he or she has been unable to fill this vacancy from the current unemployment pool in the local region or within the country as a whole. A number of countries do indeed apply such a criterion. The Tier 2 system in the UK of permits will apply a variant of that. You can go further, for example, as some people have argued, and say, “Let the employers determine the needs. We need X number of IT specialists and we’re unable to find them locally. Give us X number of visas so that we can bring in these workers from abroad and in return we’ll pay the fees and process these workers.” That is a perfectly understandable system, but of course it puts the employer in the driving seat and that is an issue that you need to consider, whether you are prepared to vest all that responsibility or that key role in your system in the employer so that it becomes in some sense a demand-driven system where the employer tells you that he has this number of vacancies, he cannot fill them domestically within a reasonable time and, therefore, he asks you to give him the permits so that he can bring in these workers.

Q469 Lord Lawson of Blaby: Another action is whether we really want to pretend the price mechanism does not exist, which is the underlying basis of everything that you have just been saying. I am not saying you are advocating that but that is the description.

Mr Martin: If I went one step further and said we establish a number of permits and allow employers to bid for those permits and pay a price for those permits, I would then in some sense have replicated an auction market in which employers could purchase the migration permits and pay a price that in some sense resembled a market price so long as there was a reasonable auction. Many academics have argued this as a way of dealing with precisely the issue that the question raised, but there is no country at the moment that has been willing to allow the market for shortages and the market for immigrants to be determined in this way by employers. It is true that many countries charge fees to employers to process permits for migrant workers, but these fees are essentially usually presented as administrative fees or, in the case of the H1B visa, there is a small element of the fee which is supposed to be earmarked for training.

Lord Lawson of Blaby: The point I was making is that, as you say in your paper, “Managing Migration—Are Quotas and Numerical Limits the Solution?”, which I think contains an excellent analysis of the situation, it is all very well for employers to say we cannot get anybody because they are not prepared to pay a particular price and they would have to pay more to get local labour, you say that that has a down side too. There is no such thing as an absolute shortage, it is related to what you are prepared to pay, and that is why I say in a sense this analysis during the earlier part of your answer is vitiated because it ignores the price mechanism and by the price mechanism I am not talking about the price for quotas or individual permits, I am talking about the price for labour.

Q470 Lord Macdonald of Tradeston: Do you think that governments should set quotas for immigration, and what has been the international experience of quotas? How are they set and are they effective in managing immigration?

Mr Lemaitre: When we talk about quotas we need to be clear about the terms we are using here. There are numerical limits, there are targets that the Canadians and Australians set, targets to be achieved, targets for various types of migration, skilled migration, family migration, humanitarian migration. When we talk about quotas, we are talking about disaggregating the total according to nationality or occupation. Italy, for example, has bilateral agreements with a number of origin countries. Each of those countries is assigned a particular quota of labour migration entries and that quota is in fact a maximum. The number of people that arrive cannot exceed that number. The United States has certain maxima with respect to migration in certain categories. Switzerland has a maximum for the total labour migration. In the past that total was so high that it was never achieved. This only changed when they brought in the free movement of people from the European Union. Then that maximum was almost immediately reached. The term here has to be understood in different ways. The Australians and Canadians have tended to use this essentially to demonstrate that migration is well managed, that they can set it at a particular figure and that they can achieve it. The aim is not to come under it but to achieve the target level. Some of the forms of migration which every country deals with are non-discretionary, the migration of immediate family, refugees, so how do they set targets for this? They do not really have any policy control over it, but from past experience they know roughly how many people to expect in these categories and they know from the
number of asylum seekers in the pipeline how many refugees they are going to get, so they can set numbers for these categories as well. You have a total figure for Canada and Australia that describes each of the various types of migration. It takes a fairly good administration of the system to achieve these targets. Some of it is handled simply by controlling the processing procedures. They say the advantage of this is—and it is really a public relations goal to a certain extent—to demonstrate to the population that migration is under control to a large extent, and I think it has achieved its objectives in this area. One of the problems with this is that you need to be sure that you do not set quotas too low. You need to avoid the creation of a backlog. This has been the major problem historically with this type of system. Canada currently has a backlog of 750,000 to 800,000 or so persons who essentially satisfy the criteria for immigration but who cannot get in because a certain maximum has been established and there just is not room. Other countries have ways of dealing with this. The Australians control this process through their pre-screening to a certain extent and through also setting the points threshold very high and by allowing people that are just under the threshold into a pool, so you can play around with the numbers at that point a little bit. New Zealand deals with it essentially by soliciting expressions of interest from potential immigrants and then essentially only inviting certain persons who have desirable characteristics to apply. So there you have a way of putting in a numerical limit or a quota of some sort and having some control over the situation. The existence of a backlog in both the United States and Canada is creating some major problems essentially because it creates lots of frustration. Some of the migrants ended up coming over in anticipation of eventually getting accepted. This is a problem that needs to be dealt with very carefully when you set up this kind of system.

Q471 Lord Kingsdown: If you are going to set quotas, you seem to me to be possibly the victim of two things which you cannot control yourself: the first one is your own immigration and the second is the re-migration of earlier immigrants. You cannot stop them doing this, either of those categories. Does one know what sort of numbers are involved in this? I find myself needing some convincing about quotas, given these two uncertainties in the background.

Mr Lemaitre: The Australians and Canadians historically have attempted to modify the numbers according to the business cycle; in other words, the numbers have gone up during an upswing and gone down during a downswing. Canada deviated from that behaviour in the early Nineties. The number of people that you are going to allow in is essentially based on—I cannot say that it is based on any strong scientific basis—historical experience of what the economy can absorb and what labour needs are expected to be. If the quotas are too low, clearly you are going to have labour shortages. In a situation of strong labour shortages that is not going to be a good thing. If your maximums are very high, as occurred in Canada during certain recessions in the Eighties and the Nineties, what happens at that point is that your immigrants take much longer to integrate, to get a job and it becomes a very costly proposition for the receiving country.

Mr Martin: No OECD country really controls outflows of the population. In fact, there are very few countries in the world—maybe North Korea and one or two others—that actually control systematically the emigration of their citizens. Secondly, the phenomenon of re-migration or return migration is an important thing to bear in mind, but again it is very difficult to predict, it is not well captured in much of the statistics. I do not think there is any way in which you could adapt a quota that would allow systematically either for a good estimate of emigration or return migration without presumably some overall impact on the population or the total labour force over some period.

Lord Kingsdown: It seems to me to put rather a big question mark over quotas.

Chairman: Enough said, I think!

Q472 Lord Paul: Some of the evidence which we have received, and also every now and then you read in the press, is the criticism that the economic benefits of immigration really are not that much for the pre-existing population. Can you tell us the experience in the other countries? What can the Government do to make this more beneficial to the local population?

Mr Martin: This is a subject for which there is evidence, not just for the United Kingdom but also for a range of other countries. Broadly speaking, I would say that the opening statement that you made is roughly correct, ie if you look at the impact of increased immigration on economic growth, there are essentially two direct mechanisms. One is the increase in the labour force, which is noticeable, but given that the inflows in most cases tend to be rather small relative to the existing size of the labour force, you are not going to get a huge increase in the growth rate in the short run through that mechanism, though you will get some impact. In the UK I have seen some estimates which would suggest that anything between 15 and 20% of the growth rate over the past decade can be attributed directly to the impact of immigration in raising the labour force in the UK.

Q473 Lord Lawson of Blaby: That is GDP?

Mr Martin: Yes. The second mechanism would be through the impact on productivity, which is the effect that you were referring to, my Lord. Here the evidence is much more difficult in some senses
perhaps to interpret because much depends on the type of immigrant that you are getting and the impact on the labour market and occupations in which they are finding work. If they are finding work in above-average paid occupations, you may get a positive impact on marginal productivity and therefore on productivity per head, but if you bring in immigrants who have either below-average skills or who are trading down into occupations below their current educational attainment, then that may also lead to a decline in average measured productivity per head in the economy, at least temporarily before they would move out of these occupations and into better-paid jobs. I think the best evidence on this would suggest that if you look at the impact of the recent types of immigration into the UK, on average this has brought in people with higher skills than much of the native population and therefore there appears to have been a small upward impact in terms of productivity in the UK. I would say that this has also been borne out in some other countries. It is certainly the case in my own country, Ireland, over the past ten years or so. We have systematically had a large influx of immigrants from the A8 countries and on average these tend to be better educated than the native Irish workforce. These immigrants had higher rates of labour force participation and employment than their native-born counterparts, even though they earned on average 15% less in 2005. There are other arguments that economists would make about whether you bring in enough high-skilled immigrants who can have a positive complementarity to investment in research and development and innovation. There is not much empirical evidence on this as distinct from theoretical evidence. I think there are perhaps two areas in which policy could directly try to increase somewhat the benefits. One is putting more emphasis on selection and, in particular, trying to select more highly educated and more highly skilled workers. That does seem to be one mechanism by which you can do it. Remember, if everybody else is trying to fish in the international pool for talent, you may have a bit of a problem here as a country trying to attract the brightest and best to your shore as distinct from other shores. The second is the age effect. As my colleague Georges Lemaitre pointed out, some of the countries that do selection already try to select younger workers. This is because the public finance benefits from immigrants are likely to be higher, the younger the immigrants in terms of their working-life cycle. We see there are some quite interesting differences in countries such as Australia, Canada, New Zealand and the UK in terms of how many points they award based on the age of the immigrants. Clearly if you want to maximise the public finance benefits, you should want to take younger, more skilled immigrants, preferably with no dependents and, putting it bluntly, preferably they would leave at the age of 65 before they start running down their claims on pensions and health. As we all know, that is a non-starter.

Q474 Lord Lamont of Lerwick: Would you say there are any arguments for unskilled immigration? You have made a powerful point about the life cycle and the costs of retirement. If there is no unskilled immigration, we are told there are certain occupations where it will just not be filled. What would be the answer to that? Investment? Mechanisation? There are some jobs where that does not really appear possible and maybe those jobs would just go unfilled.

Mr Martin: I think you have partly provided the answer yourself, my Lord. It is clear that there are a range of occupations in many OECD countries in which, for a variety of reasons, including higher aspirations, social welfare benefits, thresholds, unionisation, et cetera, domestic workers are rather unwilling to take up these jobs at the prevailing wage rates and conditions of work. As a result, many of these jobs, which are in certain services, including domestic services, are increasingly being filled by immigrants. There is a demand there and there will continue to be a demand in the future for these kinds of skills and occupations, and they will be filled in many cases by immigrants, either legal or undocumented, as is sometimes the case in quite a number of OECD countries.

Q475 Lord Paul: Is it not the case, without countries specifying age groups, that most of the immigrants are of a much younger age anyway?

Mr Martin: Yes, I think this is certainly true because if you look at it from the viewpoint of the immigrant themselves, that is the selection process that takes place abroad, who decides to emigrate and under what circumstances, it is very clear that that process is age-selective and it does tend to be concentrated among younger immigrants. You also have to bear in mind, my Lord, that if you select the principal immigrant on the basis of his or her age as well as education and experience, once they are in your country they then may have rights to bring in family dependants, whether it is spouses, relatives, children or further established relatives, which in turn also entails some claims on public services and the like. As my colleague pointed out earlier, in Australia you directly select roughly about 30% of the immigrants, but they then have the right later on to bring in further dependants.

Q476 Lord Griffiths of Fforestfach: If you look at the empirical literature which you have read, over the last ten or 15 years in the UK on immigration, what is the impact on GDP per capita of the existing population?
Mr Martin: I think that is a very, very difficult question to answer. My reading of the literature—and I think some other people could read it slightly differently—would be that there is a very small positive impact on GDP per head through the direct impact on average earnings and through the contributions, that for the moment are in the short and medium term, to the balance on the public finances. I do think that the evidence that I have read and the calculations that I have seen and the ones that we have done in the past would suggest that, at least in the short to medium term, there has been a positive impact on the public finances in the UK as a whole, and to the extent that there is, that then that accrues to the native-born population. My rough answer would be a very small positive balance.

Q477 Lord Lamont of Lerwick: Do you think migration in any sense causes employers and governments not to invest sufficiently in training?

Mr Martin: That is a very good question. There is virtually no evidence that I am aware of on this that would give you a satisfactory answer to that question. You might certainly feel that in the short term, if employers have significant shortages, they have two possibilities. One is to invest in either attracting more native workers or investing more in the training of their existing workforce or appealing to migrants. To the extent that they are able to do the latter and the costs of training are high, then there may be some short-term trade-off in this area. I am not aware of any good empirical evidence that would demonstrate this or that would demonstrate that any short-term trade-off actually transformed itself into a medium or long-term one. I would be rather surprised because much will then depend on whether you bring in migrants who are already trained. Remember, that improves the productivity of the capital stock and the native workers that you have already working in these occupations. So in turn that may give you more incentive, because your profits have increased, to invest more in training both natives and migrants, but all this is very theoretical, I have to admit.

Mr Lemaitre: When talking about a trade-off between migration and the training of domestic workers, the implication is that there is a certain possibility of choice about whether or not to let in migrants, but in the last three or four years most of the movements into the United Kingdom have been free movements, non-discretionary. Once you make the decision to allow this type of migration, you no longer have any more discretion about cutting things off or slowing things down. The same applies to lots of different types of migration. This was the object of the paper that we presented to you; it was actually to illustrate that non-discretionary migration accounts for a significant proportion of migration in many countries.

Q478 Lord Lawson of Blaby: But not in the UK. As your paper points out, there is a striking difference between the UK and Western Europe. In the rest of Western Europe, certainly the countries covered by your study, discretionary migration is a small proportion of the total. In the UK it is the majority, 51%.

Mr Lemaitre: That is no longer the case, not with free movement. I think those numbers applied to before free movement. When you think about the enlargement countries, that is largely non-discretionary now.

Q479 Lord Lawson of Blaby: It is still higher in the UK. Is it not, than in the rest of Western Europe?

Mr Lemaitre: The discretionary part probably is, because you do have much more labour migration. I do not think it is as high as 50% now because you have had huge inflows, a free movement-type of migration. The trade-off that you are talking about arises only for that part of migration over which governments have some sort of policy control and this is essentially the Tier 1 and Tier 2 type, but certainly not the free movement type of migration.

Q480 Lord Lamont of Lerwick: I want to go back to your answer to Lord Griffiths about GDP per capita, because this is a very, very important point. That was just in the very short run. If it is very marginal it is possible that that is outweighed by the lifetime costs including pensions, social provision, et cetera.

Mr Martin: I would agree with you that in theory you ought to pay attention to the lifetime pattern of claims on public services. This is much more difficult to calculate because you need to be able to follow people from almost the moment they enter your country to the moment they exit by dying or leaving your country or returning to their own.

Q481 Lord Lamont of Lerwick: But if they are unskilled?

Mr Martin: If they are unskilled, you could conceivably find a situation in which the net present value would be negative to the public finances and in that case the opposite would apply. If you look at the recent streams of immigrants to the United Kingdom in terms of their average skill levels, that would be unlikely to occur. I would argue, based on a current cross-section of employment and earnings outcomes and likely taxes and benefits. But you are certainly right, it is quite possible to occur. The only study that I have seen of this kind is one that was conducted in the US about ten or 15 years ago. That showed clearly that for low-skilled workers that was the case, there was a small net lifetime negative impact on
public finances, but for those with skill levels above the
average there was a very large positive lifetime impact on public finances.

Q482 Lord Skidelsky: In most of the discussion the
economic impacts have emphasised the importance
of its impact on GDP per capita. Is it right to ignore
its impact on GDP entirely? Is that the only economic
criterion that one would want to take into account?
Mr Martin: It is the most obvious first choice of an
economist! What we are essentially concerned about
is the standard of living in the country and, in
particular, we might want to be concerned about the
standard of living of the native-born population,
distinguishing between immigrants and the native-
born population. The standard welfare theory would
argue that would be the criterion that we are most
concerned about. There are arguments that one could
construct that would say that at least there is some
interest in the overall size of the economy. For
eexample, if you took a view that the larger the size of
your economy, the more powerful and important you
were as a country in the world—

Q483 Lord Lawson of Blaby: Or the ability to wage
war.
Mr Martin: Exactly, the ability to wage war. That
may well be a reasonable view to take.

Q484 Lord Skidelsky: But that would not be an
economic argument, in your view?
Mr Martin: Economic or non-economic, that is a
rather difficult one. You are an historian. I will not
venture on to the terrain that I was just about to
venture on to! It seems to me that the distinction
between economic and non-economic becomes a
little blurred here when we venture down this route
very far.

Q485 Lord MacGregor of Pulham Market: Can I ask
you: have you any comments on the Government’s
submission to the inquiry? In particular, in your view,
are the Government’s conclusions about the
economic impacts of immigration based on an
assessment of the available evidence?
Mr Martin: I have read this submission which, I
think, broadly speaking, seems to me to be a pretty
fair reading of the evidence, as I understand it and as
I am familiar with it, for the United Kingdom, and,
also, incidentally, it does indeed cite evidence for
other countries as well, again, with which, broadly
speaking, I concur. There is, perhaps, one area where
I think it could do with some fleshing out. It does
seem to me that more attention might be paid to the
questions arising from integration. In particular, the
fact is that the UK has seen a very large increase in
inflows in a fairly short period of time and it will,
inevitably, take some time for the full effects of that
to be felt, both through the economy and society as a
whole. If we look at the experience of other OECD
countries, we see that the integration experience,
least in some of these countries, has not been as
satisfactory for the more recent cohort of immigrants
as it was in the 1960s and 1970s, and there is a great
deal of concern about how one could try to improve
that integration experience—what kinds of policies,
both economic and social, in particular for the
children of the immigrants once they start entering
your education system? One of the things that we
have seen in our Pisa study of the literacy and
numeracy skills of 15 year-olds in OECD countries is
that in many countries the children of immigrants of
the first and second generation do particularly poorly
in the education systems. I think that is something
that would warrant very close attention in the United
Kingdom. Now, much of that has to do with the
country of origin of immigrants, because clearly in
some countries children perform better than they do
from other countries—again, related to parent
status—but I do think that is, perhaps, one area
where the Government’s submission could, perhaps,
have devoted a little bit more attention toward.

Mr Lemaitre: On this point, I think, again, we need to
distinguish between discretionary and non-
discretionary movements, because some of them are
as a result of migration policy, some are controlled
and others much less so. If you look at the sorts of
migration that are subject to policy control, the Tier
1 and the Tier 2, inflows, we have very highly skilled
migration and demand-driven migration, where
people have a job on arrival. Those are almost
unambiguously positive—there is hardly any
question. The problems that have arisen in the past
and in other countries are the sorts of migration
where people arrive without a job on the horizon,
where their qualifications are not necessarily
recognised and where they do not speak the language
of the country. The Tier 1 and Tier 2 have a certain
amount of control over this because you are selecting
very strongly in favour of youth and education, and
Tier 2 where people have to have a job. The other
types of migration are often lower-skilled. In other
countries people, on arrival, have had jobs, have
thrived, but those jobs have sometimes been
eliminated through structural change in the
economy, and for people who do not necessarily
speak the language of the country very well, there are
problems retraining, etc. The historical record of
Europe shows that the problems are not necessarily
with the first generation low-skilled but with the
latter have problems in helping their children
navigate through the complex society’s education
systems in the countries. So this is the sort of impact
that does not really show up in the document here,
that is, the different impacts for discretionary and
non-discretionary migration. There are very positive consequences for the type of migration policy where there is some control but policies need to be put in place to overcome the challenges associated with other types of movements, which, in the past, have not been met. First-generation migrants need to have a certain capacity to be retrained; their children need to be helped in the educational system, particularly the low-skilled, in order for those outcomes to remain positive over time.

Q486 Lord Layard: I want to pursue the statement made that more recent waves of migrants have been less well-integrated than earlier waves, because I think that is very important. Could we be sent evidence on it? I wonder if you have any sort of explanation of why that might be. Is it because, as it were, the bigger the existing stock, the less the need to integrate?

Mr Martin: I think we need to distinguish between two sets of countries here. Let us take the case of the United States and Canada, on the one hand, and let us take the case of Britain and Ireland on the other. In the case of the United States and Canada, it is clear that there has been a decline in the average (I use the word in inverted commas) quality of immigrants over the past two decades, judged in terms of the educational attainments on average. That is very much related to the change in the countries of origin of these immigrants. For example, in the case of the United States it is very clear: the main source of immigrants is Mexico and other Central American countries where average educational attainments are below those in the United States or below those in the countries where average educational attainments are on average. In the Canadian experience of the last 20 years, who have much greater difficulty in finding jobs in the

Q487 Lord Layard: The remark was about the degree of integration, which you said was less, as a reason why—

Mr Martin: That is certainly true in Canada, without a doubt. Also, to some extent, it has been argued in the United States in terms of the earnings experience: the degree to which recent cohorts of immigrants to Canada have converged to the earnings of the native population has been significantly slower—less convergence—than the previous cohorts of immigrants in the 1970s and 1980s. Ditto for the United States.

Mr Lemaitre: If you look at the situation of immigrants, again, that arrive without a job on arrival (and I emphasise that point,) the ones that have the most difficulties—relative to native-born persons of the same educational attainment—are actually highly educated, not the lower educated. With the lower educated, one can arrive, as we have seen with recent migration in the UK, with a very limited knowledge of the host-country language and can take on a low-skilled job, but in order for a more highly-skilled person to want to work at their level they need to have a better command of the language, their qualifications need to be recognised and their experience needs to be recognised. These are the ones, in the Canadian experience of the last 20 years, who have much greater difficulty, despite the selection process and the criteria that are applied. The recent immigrants have more difficulty in finding jobs in the labour market than in the past. So the requirement to have a job on arrival is a very critical one. If you do not have that in place, you need to have some sort of means of ensuring that qualifications are recognised, and that on arrival immigrants have a very good command of the language. Clearly, that is not possible in all countries but it is possible in the United Kingdom.

Q488 Chairman: Thank you very much indeed, once more, for spending your time with us this afternoon. We have kept you rather longer than we might have expected but that is testament to the quality of your evidence. Thank you very much.

Mr Martin: Thank you very much.

Memorandum by the Institute for Public Policy Research

Submitted to the House of Lords Select Committee on Economic Affairs relating to oral evidence presented by Dr Dhananjayan Sriskandarajah on 8 January 2008.

The Institute for Public Policy Research (ippr) is the UK’s largest independent policy think tank. In recent years, the ippr has published several reports that cover the economic impact of immigration and make, inter alia, the following observations that may be of interest to the Committee:
While the impacts of immigration on GDP growth are well-rehearsed, some of the most important economic benefits of immigration may lie in areas such as meeting acute short-term skills shortages (e.g. carpenters), overcoming structural or seasonal labour shortages in some sectors (e.g. agriculture), allowing the cost-effective provision and/or rapid expansion of public services (e.g. healthcare or education), in fuelling growth in lagging UK regions (e.g. North East) and in boosting the international links and competitiveness of key sectors (e.g. finance and higher education).

The UK’s foreign-born population, on average, makes a relatively stronger contribution to the exchequer than the UK-born population.

Most of the largest foreign-born groups in the UK do relatively better on average than the UK-born average on many of the socio-economic criteria for which data are available.

The arrival of A8 migrants in recent years has helped boost the UK employment rate and has largely been complementary to the occupational and spatial distribution of the UK workforce.

We estimate that there are more British nationals living abroad than there are foreign-born people in the UK, and that sustained emigration of British nationals will have important economic impacts that cannot be ignored.

Neither the assumption that the UK only needs high-skill migrants nor that the UK will be able to access sufficient numbers of low-skill migrants from within the European Union hold.

There is a risk that current Government measures (and Conservative party proposals) will unduly restrict or inflexibly manage key streams of highly skilled economic migrants.

Regularising the status of some immigrants who are living and/or working without permission is likely to be the most fiscally and operationally efficient approach.

There are very good reasons for early and effective interventions to equip new migrants with the skills needed to integrate into UK labour markets.

The reports from which these observations are drawn are referenced at the end of this document, have been made available to the Clerk to the Committee and can also be found at www.ippr.org/migration.

In addition to the above points, we would welcome the opportunity to discuss the following issues:

1. **The lump of immigrants fallacy**

One of the most persistent temptations when discussing migration is to accept without question that “immigrant” is a sensible category of analysis. As will have been abundantly clear to the Committee, immigrants are a heterogeneous bunch: they come to the UK for different reasons, have different immigration statuses, have a range of socio-economic characteristics, and so on. Unfortunately, the usual ways of categorising and collecting data on immigration involve some major shortcomings: “foreign-born” could include the child born overseas to two British people (a sizeable proportion of German-born people in the UK are children of British armed forces posted in Germany); “foreign national” does not include those who have been naturalised; neither term captures the British descendents of immigrants; and counting ethnic minorities misses out on large numbers of white immigrants (especially important when the largest country of origin of immigrants last year was Poland).

More importantly, it is also assumed that “immigrant”, however defined, is a meaningful way of categorising people. The immense differences between subgroups in the immigrant population (e.g. country of origin or route of entry) and even bigger differences within groups can often mean that lumping people together as immigrants is almost meaningless. This is clear when we look at the socio-economic characteristics of immigrants by country of origin. For example, while American-born and Canadian-born immigrants have average annual incomes more than one and half times the UK-born average, those who are Turkish-born and Somali-born earn only two-thirds. Similarly, seven of the largest country of origin immigrant groups are half as likely as the UK-born population to be living in social housing, while seven other groups are more than twice as likely. Similarly, if we are to be sensible about explaining socio-economic characteristics or identifying explanatory variables for socio-economic outcomes, someone’s status as an immigrant may not be nearly as important as other factors. Taken together, this should be reason to treat any claims about all or average immigrants (even, it should be said, the observations from IPPR’s own work made above) with great caution.
2. The economic impacts of non-economic immigrants

The heterogeneity discussed above has another important implication for anyone interested in the economic impact of immigration: should we consider the economic impacts of all immigrants in the same way? In other words, is it right to assess the economic impacts of someone in the UK for non-economic reasons (e.g., a refugee who is genuinely fleeing persecution or a spouse of a UK national) in the same way as someone who is here for economic reasons (e.g., a work permit holder here to fill a vacancy)? Unfortunately, again because of data shortcomings, most analyses of the economic impacts of immigration inevitably end up considering the economic impacts of all types of immigrants together. While it is sensible to assess all immigrants taken together when questions of scale are being discussed (e.g., to plan for the provision of public services), it seems less wise to include all immigrants when judging the economic impacts of immigration.

Indeed, it is little wonder that studies that lump all immigrants together find that their characteristics and therefore their economic impact differ only marginally from the UK-born. While it may be reassuring that foreign-born people on average earn more, work longer hours or make stronger fiscal contributions than the UK, this should be viewed as a bonus rather than an expectation. An assessment of whether those who are admitted exclusively or primarily on economic grounds are contributing to the economy, something that is sadly missing from public discussions of immigration, is likely to reveal a more positive picture.

3. More British jobs, fewer British workers

There has been a lot of talk lately of migrant workers “taking” British jobs, but the evidence suggests that, due to an ageing population and high emigration, the British working-age population has actually shrunk over the last year. Initial research from ippr’s new project on the “Economics of migration” suggests that the fall in the number of UK-born people in employment are more than accounted for by a fall in the number of UK-born people of working age. As shown in the figure below, the UK-born working age population fell by 272,000 between Q2 2006 and Q2 2007. This fall is likely to be the result of a relatively larger number of people reaching retirement age compared to those entering the working age population, and because of the net emigration of UK-born working age people. During the same period, the total number of UK-born in employment dropped by approximately 230,000\(^1\). This suggests that demographic changes in the UK-born population, rather than the arrival of immigrants, is likely to be driving any reduction in the number of UK-born people in employment.

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\(^1\) Only includes those in employment who are of working age (Between 16 and 64 years for men and 16 and 59 years for women)
issued with a National Insurance number), the employment rate of the foreign born has increased by almost 4 percentage points in the same period.

Figure 2. Employment rate for UK Born and Foreign Born population in working age

<table>
<thead>
<tr>
<th>Year</th>
<th>UK Born</th>
<th>Foreign Born</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>75.4%</td>
<td>64.0%</td>
</tr>
<tr>
<td>2002</td>
<td>75.3%</td>
<td>64.7%</td>
</tr>
<tr>
<td>2003</td>
<td>75.7%</td>
<td>65.0%</td>
</tr>
<tr>
<td>2004</td>
<td>75.5%</td>
<td>65.5%</td>
</tr>
<tr>
<td>2005</td>
<td>75.6%</td>
<td>65.5%</td>
</tr>
<tr>
<td>2006</td>
<td>75.2%</td>
<td>67.6%</td>
</tr>
<tr>
<td>2007</td>
<td>75.2%</td>
<td>67.9%</td>
</tr>
</tbody>
</table>

Source: LabourForce Survey 2001Q2-2007Q2 and IPPR calculations

4. Zero net migration

It is also increasingly common to hear suggestions that the UK should impose a policy of zero net migration; that is, limiting the numbers of immigrants to the UK to the same level as emigration in the previous year. While this suggestion may seem sensible at first, it also lumps together all immigrants as though they were the same (a retiree leaving the UK is unlikely to have the same impact as a young worker entering the UK), would result in inflexible restrictions on economic migration, and would almost certainly result in substantial increases in tax if public expenditure was maintained at current levels.

Given changing demographic characteristics and what we know about the role of net immigration in adding to and changing the characteristics of the UK population, it is likely that zero net immigration coupled with low fertility rates will lead to a falling population in the coming decades and higher dependency ratios. While it is certainly true that very high levels of net immigration will be needed to make a substantial dent in dependency ratios, commentators who call for zero net migration seem not to have realised that the converse does not hold. Cutting migration to zero would have dramatic results as the UK population falls and ages.

A falling population leads to falling demand for goods and services, which in turn is likely to lead to price deflation as companies find themselves with fewer and fewer orders and an over-supply of their goods and services. The great danger of deflation, as recent experience in Japan shows, is that people begin to expect it and delay spending because prices are expected to be lower in the future. With depressed consumer spending comes recession, and job losses follow.

With fewer births than deaths and zero net migration, the proportion of retired people in the population as a whole will rise, and the burden of looking after the elderly will fall on a shrinking working-age population who pay taxes to fund public services. The graph below draws on current work in progress at IPPR (Figure 2) and shows the dependency ratio (the number of dependents per 1,000 people of working age) in each of the Government Actuary Department’s 2006-based population projection scenarios, as well as the zero net migration scenario (where immigration and emigration balance). It also presents projections of what would happen with zero gross immigration, i.e. not letting anyone into the country on a permanent basis.
the economic impact of immigration: evidence

Figure 2: GAD dependency ratio projections

Note to Figure 2: The calculations for Figure 2 are based on the assumption that working age for men and women is defined as 16 to 64 years of age, and pensioners are defined as aged 65 and over. This assumption is at variance with the GAD estimates of dependency ratios which assume that the retirement age for women is equal to the state pension age—ie 60 before 2010, followed by a gradual increase to 65 by 2020. This affects the dependency ratio projections in the period up to 2020—for example, GAD’s estimate of the dependency ratio for 2007 is 607 dependants per 1,000 workers, whereas our estimate is 507. ippr is currently revising its dependency ratio projections (and the associated tax calculations shown in Figures 3a and 3b) to use the official GAD assumptions on retirement age. Please note that this is current work in progress at the ippr as part of our Economics of Migration project.

There is relatively little difference between the dependency ratios in the principal and low and high net migration scenarios. In the high migration scenario, there will be 717 dependents per 1,000 working-age people by 2076, whereas in the low migration case, there will be 733. However, in the zero net migration scenario the picture looks considerably bleaker, with 765 dependents per 1,000 people of working age. In the zero gross immigration scenario the dependency ratio is much higher by 2076, at 837. The number of children per 1,000 remains relatively stable between the cases, and it is the retired population that is most affected by differences in migration levels. In the zero net migration scenario there will be 492 retirees per 1,000 working-age people by 2076, compared to 445 in the high migration case.

ippr’s analysis of what this might mean using our tax/benefit modelling shows that a zero net migration policy would require significant tax increases to maintain fiscal balance making reasonable assumptions about spending per head of the population compared to GAD’s range of migration projections, in range of an additional 0.4 to 1.2 pence on income tax by 2018, and 1.1 to 2.7 pence on income tax by 2028 (see figure 3a below). A zero gross immigration policy would lead to even higher tax increases of between 3.4 and 4.9 pence on income tax by 2028 (see figure 3b below).
5. The missing counterfactual

What is sorely missing from almost all discussions of the economic impact of migration is the counterfactual. While there are heated discussions of whether this or that aspect of migration is good or bad, it is rare for anyone to ask what would have happened without migration. Recent discussions around whether A8 migrants are crowding out local workers or keeping wages down have completely ignored the question of what might have happened had UK employers not had access to such highly motivated and hard-working migrants. Nor
are there discussions of the choice facing an economy such as the UK’s between importing workers or exporting jobs. While this is in large part due to the lack of good quality analysis of this sort, it is also testament to the lack of appetite to consider immigration in a broad or global context. We hope that this Committee’s inquiry will be one such opportunity to consider the economic impacts of immigration in such a sensible fashion.

11 January 2008

Examination of Witness

Witness: DR DHANANJAYAN SRISKANDARAJAH, Director of Research Strategy, Institute for Public Policy Research (IPPR), examined.

Q489 Chairman: Good afternoon.
Dr Sriskandarajah: Good afternoon.

Q490 Chairman: Thank you for coming along and talking to us this afternoon. Thank you, too, for your written submission. I will ask you to introduce yourself very briefly and then I do not know whether you want to make any introductory remarks or not, over and above your written evidence.
Dr Sriskandarajah: A very brief one, if I may.

Q491 Chairman: Okay. Over to you.
Dr Sriskandarajah: Thank you. I am Danny Sriskandarajah, I am Director of Research Strategy at the Institute for Public Policy Research, the IPPR, and, also, head of our work on migration. I wanted to say by way of opening that we certainly welcome this inquiry into the economic impacts of migration. At IPPR we have spent the last few years trying to contribute fresh evidence in an area—the economic impacts of migration—where robust evidence has been scarce, at best, and misrepresented quite grossly, at worst. So we have tried, through the various documents that I believe have been circulated to the Committee, to contribute some fresh analysis and fresh evidence on what I think is a very important question. I also wanted to say by way of opening a little about what I think is, perhaps, one of the biggest dangers when anyone turns to the question of the economic impact of immigration, and it is something that I call the “lump of immigrants fallacy”. I think it is a very legitimate exercise to ask whether immigration has caused this or that in an economy. Unfortunately, the lack of nuanced data often means that we are left to analyse the impact of immigration by looking at all immigrants taken together, and then the subsequent danger is that we use the evidence that we gather when we look at all immigrants together to make decisions about what sorts of immigrants a country needs; that we take the characteristics of all immigrants and make conclusions about their impacts on, say, GDP, rather than look, as our colleagues from the OECD said, at discretionary immigrants—in their words—who have come primarily or exclusively for economic reasons. In other words, it seems unfair to include groups like refugees or spouses, or, indeed, anyone else who is admitted not on any economic grounds, in the assessment of the economic impacts of immigration and, therefore, draw conclusions on what sorts of immigrants an economy needs. It is analogous, I would say, to a football manager making a decision about what sorts of players are needed by looking at the number of goals scored by each player and making a decision based solely on that criterion. I make the analogy for two valid reasons: one is that the economic criterion—or the goals scored—should not be the only criterion on which we assess immigration, and of course it may not be the most appropriate criterion for many immigrants—or indeed non-striker positions in a football team.

Q492 Chairman: Can I ask you the opening question, and that is: you have recently argued that diversity brings “huge cultural and economic benefits”. I wonder if you could explain how the economic benefits from diversity can be quantified. Can you provide examples of cases where increased diversity has led to economic gains for the pre-existing population?
Dr Sriskandarajah: I do think it is very difficult to quantify diversity. As the previous witness, Professor Martin, pointed out, beyond theoretical literature in this area there is very little. However, I do think that we have evidence to suggest that in terms of innovation, entrepreneurship, international trade and knowledge networks, and indeed competitiveness, some sectors in the UK have benefited from international migration in recent years, and by inference the host population has also benefited. If you think of examples like finance, a quarter or so of all professionals who work in banking and insurance in this country are foreign-born. The fact that that sector, which is so critical to the UK’s competitiveness, can attract a diverse workforce, which comes with international networks and with knowledge of working across the world, I think, is critical to the success of that sector and, therefore, has positive spin-offs for the rest of the economy and the host population. Higher education is another example; again, a quarter of all academics working in UK universities are foreign-born. The fact that the University of Oxford can access Austrian economists is good not just for the University of Oxford but for any student who attends
that university and, indeed, taken together, for the competitiveness of the UK’s higher education sector.

Q493 Lord Kingsdown: Your submission raises the question of what would have happened if immigration had been considerably lower in recent years. Perhaps more important, what do you think would be the economic consequences if employers’ access to migrant labour from outside the EU was significantly reduced in the coming years?

Dr Sriskandarajah: The counterfactual is always incredibly difficult to articulate, but I think it is important in this context. We spend a lot of time, and we have collectively spent a lot of time in recent years, talking about the impact of recent immigration, but little of that time has been spent thinking about what might have happened otherwise. I think conditions in the early part of this decade, such as high levels of vacancies, very low unemployment, especially in particular parts of the UK, high growth and low inflation, would have been very difficult to sustain without the addition of substantial numbers of migrant workers across the skill and wage spectrum. We would have seen, if we had not had the injection of skilled and other workers from outside the EU and workers from within the enlarged EU, reduced output, we would have had some sectors, I think, shrinking, and we would have had the export of some jobs. I think it would have been very likely that in an open economy, an open and enlarged Europe, if employers in sectors like hospitality, catering, agriculture, had not had access to large or sufficient numbers of workers in recent years, some of those jobs—not all—would have been exported. I think it comes back to a fundamental choice that an economy such as the UK faces, which is: do you import the workers to do some of those jobs or do you export the jobs if you cannot access those workers?

Q494 Lord Lawson of Blaby: What is wrong with exporting jobs? We live in a globalised economy. There are many British companies who outsource abroad a lot of their activities—call centres in India, for example, and there is a lot of IT in India. The whole world economy benefits from this. What is the problem?

Dr Sriskandarajah: I think there is absolutely no problem in exporting jobs. I suspect, though, that in some sectors—for example, agriculture where there is a stated policy priority in terms of food security and keeping and sustaining rural economies through a healthy agricultural sector—there will be many people who will have complaints about a desire to export large sections of our rural economy. My point here is that we do need to think about the bigger picture; that instead of spending a lot of time discussing how many people have come, what exactly they are doing and what those impacts are, we should be thinking about the bigger picture, which is that we have some sectors where there seems to be sustained demand for workers to do jobs which British workers do not seem to be prepared to do at the going wages and conditions. The question, I think, that we should be asking is: what shall we do about meeting that demand? Is it the case that those sectors should be shrunk sufficiently so that the supply of British workers does match the demand? Or should we have the import of some—

Lord Lawson of Blaby: Should they be paid more?

Q495 Lord Lamont of Lerwick: You used the phrase “do not seem to want to do”, which is quite an interesting phrase. “Do not seem to want to do”. Might not the answer actually be welfare reform and labour market reform to actually price people into jobs?

Dr Sriskandarajah: I think, in the long term, the answer has to involve both of those things. It is very tempting in this area to think of migration as somehow part of an “either/or” strategy; that we either have migrant workers or we skill-up our domestic workers, and I think that anyone who has paid attention to policy and empirical debate in this area would realise it has to be about both. In the long term, we do have to do much more about increasing the employment rate of British workers, but, at the same time, that does not mean that we should shut the door to migrant workers. We have to establish some form of complementarity whereby, at least in the short term, where price mechanisms and labour markets may not respond so quickly, we will need to have some supply of migrant workers to meet the demand that is being generated.

Q496 Lord Skidelsky: I wanted to take you up on a counterfactual arising from the last question. In your paper you say that neither the assumption that the UK only needs high-skilled migrants, nor that the UK will be able to access sufficient numbers of low-skilled migrants from within Europe, is correct. I just want you to elaborate on that. Had you in mind particular qualities, maybe of innovation or other things, that are brought from non-European migration into the UK?

Dr Sriskandarajah: My point there is fairly simple. I think that it is two-fold. The first part of the point is that there is often an assumption that we can somehow get rid of all low-paid or low-skill jobs. The best evidence I have seen suggests that there will continue to be sustained demand for some of those jobs that migrant workers seem to be doing at the moment; that even in the most proficient of knowledge economies someone will continue to have demand that is being generated.
flat wage structure they will be unattractive, or relatively unattractive, jobs. That is the first part of the point. The second point of that observation is simply that there is, I think, a misguided assumption that the new Member States of the European Union will continue to supply large and sufficient numbers of low-skilled, low-paid migrants to this country. That certainly has been the case since May 2004, but I am confident that it will not be the case for much longer. As economic conditions in the new Member States improve, as they too go through demographic change, as the rest of the existing Members of the EU open up their labour markets and, importantly, as those vanguard migrants learn enough English and get familiar enough with the UK, they will probably not want to be picking fruit on a cold winter’s morning but go back to the job that they have always aspired to do, which might be teaching or being an IT engineer, or whatever else it is. There is a combination of factors that suggest that even in an enlarged Europe the UK cannot rely on intra-EU flows to meet some of those low-skill, low-wage job demands.

Q497 Lord Best: The Evening Standard of last Thursday has the headline: “Cutting number of immigrants will put 9p on tax”. This quote is attributed to you, but could you say a bit more about how you have calculated the impact on Income Tax of having a zero net migration policy and, in particular, whether you have calculated in the fact that migrants will get older themselves and become dependent in old age. Would changes in the retirement age be a more effective way of dealing with population ageing than trying to do so through bringing in migrant workers?

Dr Sriskandarajah: The relationship between migration and demographic change is a complex one and one that is not, I fear, altogether well-understood generally. We have, I think, unfortunately, got ourselves into a situation where the pubic and, perhaps, the media frenzy around migration is at such a height that there are people who are starting to call for what is called “zero net migration”; that there are people in lobby groups, even in this building, who have started to suggest that the best way forward would be for the UK to have a policy by which the numbers of people coming in every year should match the numbers of people who go out, rather than, as we have seen in the last few years, have net immigration of 100,000 or so, per year. The point that we make in our submission, and it has been reported in today’s Standard, is simply that, given what we know about demographic change and given what we know about how long it will take to tinker with retirement ages, a situation in which we have zero net migration could actually lead to substantially increased demand on the working age population in the UK, in terms of fiscal contributions. We have already started to see the first signs that the UK-born, working-age population is shrinking. In the year to the second quarter of 2007, the UK-born, working-age population fell by over a quarter of a million people. Not surprisingly, the number of UK-born people in employment fell by just over 200,000 people. That led, in the latter part of 2007, to headlines that foreign workers are “taking” British workers’ jobs. I think the real story there is that we are starting to see some of the demographic change that we know is inevitable happening already; that women born in 1947/48, who are amongst the most numerous age groups in our society, are about to hit, or have just hit, retirement age. Demographic change is upon us and to have a situation in which we have zero net migration would mean that the process of a rise in dependency ratios would be just that much quicker and would mean that those who are in work, British or otherwise, would have to work harder and pay more to finance public services and pensions, and so on. The modelling that we have done is very basic and makes the same sorts of assumptions that the Government Actuary’s Department makes in terms of the age profile of the resident population and immigrant population; it simply compares zero net migration with the principal projection that GAD makes in terms of net migration, which is somewhere in the order of 150,000 people in net terms into the UK a year.

Q498 Lord Lawson of Blaby: Following on from that question, the overall calculation is obviously nonsense, because you assume, for example, that once people reach retirement age they cease working and earning, which is nonsense. Indeed, since as Chancellor I abolished the earnings rule, they have been carrying on working without any penalty. In addition, you said in an earlier answer that you think we should focus just on the immigrant and ignore spouses and other dependents when, obviously, it is nonsense, because you assume, for example, that once people reach retirement age they cease working and earning, which is nonsense. Indeed, since as Chancellor I abolished the earnings rule, they have been carrying on working without any penalty. In addition, you said in an earlier answer that you think we should focus just on the immigrant and ignore spouses and other dependents when, obviously, it is well-known that, if you look at it rationally, if we are going to allow immigration that means you allow, quite rightly, spouses and other dependents. Let us forget your figures. May I ask you a simple question? Do you think there should be any restriction on immigration? If so, what should the basis for that be and what sort of numbers would you recommend?

Dr Sriskandarajah: Can I just come back to the criticism you made of our calculations, simply to say that we have made the same sorts of assumptions that the best projections in this area make. Unfortunately, I agree with you, many of those do assume that retirement age is what determines whether someone continues to work or not. However, there are factors that we have not yet considered. For example, emigration is yet another source which will speed up the effect of demographic change. By our calculations...
for a project we did last year on Brits who emigrate, we have calculated that Britain loses about 60,000 working-age people per year—British nationals. In net terms, the UK loses 60,000 working-age people, and the most dramatic rise in the number of British emigrants in recent years has been in that group of people aged between 45 and 65. The hypothesis, tentative at this stage, is that emigration is yet another source by which older working-age people, people nearing retirement, are either seeking employment opportunities overseas or early retirement in the sun. Yes, there are lots of assumptions being made but I think there is an obvious point about the fact that migration has to be part of the solution in responding to demographic change. In answer to your question about limits, I think there is very good reason for having limits or some way of managing the numbers of immigrants, depending on the category of immigrants that we are talking about. There are some groups of immigrants that I hope we will never have numerical limits applied to. I would never want to live in a country which says, on August 1, to the person fleeing persecution in Iraq, or wherever else: “I am sorry but on July 31 we met our quota for the number of asylum seekers we will admit this year”. I would never want to be in a situation where a university admissions—

Q499 Lord Lawson of Blaby: I was talking about what our previous witnesses called “discretionary immigration”.

Dr Sriskandarajah: I think there are discretionary cases, for example international students, where I would be hesitant to place numerical quotas. Given how increasingly reliant UK universities have become on international students, I would hope that we will continue to encourage full fee-paying international students coming to study in the UK and not impose a numerical limit. Having some way of managing work-related economic migration could make sense, though I would join with the previous OECD speakers in saying that the Government should not kid themselves that micro-managing or manpower planning economic migratory flows will be effective or sustainable in the long term. Perhaps some form of flexible way of managing labour market need and migratory flows for work is the best way forward. We have done some work which is reported in this week’s Economist looking at the flexibility that seems to have been apparent in the last 30 or 40 years of the existing work permit scheme. The existing work permit scheme in this country is an employer-led, demand-driven visa scheme. If you look, at least in an initial way, at the numbers of people coming on work permits compared to labour market conditions in the UK, this system has been pretty responsive, but in times when unemployment has been low and vacancies have been high the number of work permits issued has been relatively high. It was not particularly surprising that we have seen that increase in the last five or ten years because we know that labour market conditions have been such. So I think limiting numbers or managing the numbers of people coming in to work in the UK is a sensible thing to do. However, crude numerical quotas might be unsustainable and unhelpful in terms of economic dynamism and flexibility.

Q500 Lord Lawson of Blaby: May I ask a supplementary, very briefly? Since you have said there should be some way of managing numbers, what the Government is proposing now in terms of permanent settlement, seems slightly schizoid because it is proposing to run two systems in parallel: a points system, like Canada and Australia have, which is Tier 1, and a work permit scheme, basically, which is Tier 2. The Government is unique in having two quite different systems for permits. If you accept, which you do, that there should be some control, so let us assume ex hypothesi that the total numbers of immigrants are going to the same, would you think that the Tier 1 work points system is the better system and that is the way to go, or would you think that the Tier 2 work permit system is the better way to go?

Dr Sriskandarajah: One important difference between what the UK Government is proposing and what many countries like Australia, Canada and New Zealand operate is that our Tier 1 system is not a settlement visa system, whereas in countries like Australia the points-based system is essentially used to pre-screen those people who do come for permanent settlement in that country. Those countries, though, do operate a flexible labour market visa system. Australia still takes tens of thousands of people every year who come on short-term work visas to work in occupations that have been identified as having shortages. Hairdressers, for example, appear on Australia’s occupation shortage list, and hundreds of hairdressers from around the world go to Australia to work there. The key is that a successful economy needs to have a flexible way of meeting labour market needs. Some countries, like Australia and Canada, have also chosen to add to that system a system of permanent settlement through a points-based assessment. My fear is that the UK’s approach (schizoid, as you put it) confuses those two measures; that in rushing towards a points-based system we lose the flexibility that we have had in the employer-based work permit system that has been in operation for several decades; that we are moving the onus away from employers who have had to meet a labour market test and had to show that they cannot find a suitable employee from within Europe—we are moving away from that being the key criterion on which we decide whether someone is
useful or not to having a system whereby individuals are assessed on their points criteria or the Migration
Advisory Committee suggests that these are shortage occupations. The danger here is that we lose some of the
flexibility that has served the United Kingdom very well in recent decades.

Chairman: I am watching the clock a little, and I think if we are going to be able to ask the questions that we want to ask, can we try and be succinct in the answers and, indeed, in the questions?

Q501 Lord Layard: I want to ask about the Olympic Games. How big a role do you expect migrant labour to play in the construction work, and is the easy availability of migrant labour going to lead to either employers or government, or both, cutting back on the training and hiring of British-born construction workers?

Dr Sriskandarajah: There are two things I would say about the Olympics and construction. The first is that the construction sector has been a classic case in which the presence of migrant workers has been a phenomenon for decades, if not longer. It would be surprising if migrant workers did not continue to be a significant presence in construction, especially of big projects like the Olympics. We know that Irish workers in the construction sector have been around for decades and, more recently, there have been people from other parts of Europe. So I do think that migrant workers will have to have some role to play. The second observation is that in focusing a lot of public and policy attention on the Olympics we may lose sight of the fact that the Olympics construction projects are only a relatively small part of the projected construction needs in the next few years. Britain is going through a fairly sustained construction boom at the same time as several hundred thousand vacancies. What we have seen, especially from young Poles and Lithuanians who have come in recent years, is that they are highly mobile spatially within the UK—sectorally as well; that they come and pick fruit in the East of England, and then go and work in hospitality

Q502 Lord Macdonald of Tradeston: In your written evidence, you suggest that the UK will not be able to get enough low-skilled migrants from within the UK. In asking you to explain why this should be, could I point you back to the United Kingdom and what you said about British skills, and ask you what work, if any, has been done on geographical mobility inside the United Kingdom? We have obviously got hundreds of thousands, perhaps millions, of people who could take up jobs, who do not seem to move in response to their own economic needs in the way that previous British generations did. I remember, and I think Iain shared the experience, wondering how you could get people from Ayrshire to Fife to fill jobs in Scotland. Is there an imperative to try and look at some of those British problems of lack of mobility, of moving people around the country, so that we get more of the pattern that you can see in the United States of people being able to pull out of their house or their local culture and go and live elsewhere?

Dr Sriskandarajah: I think I have answered the question about why the UK cannot rely on an enlarged Europe for less-skilled workers. The point you make about mobility and the focus on mobility rather than immigration, or even migration, is an important one. I think the fundamental economic challenges we are dealing with are around mobility. At the European level, if we are to make Europe a competitive and dynamic economy, then mobility and increased mobility has to be part of that package. For example, before the most recent 2004 enlargement, only about 1.7% of the total EU 15 population lived in a country other than its birth. On the other hand, some 3% of Americans move across state boundaries every year. That sort of geographical, spatial mobility is very important in keeping the American economy dynamic and flexible. I think that European leaders have rightfully targeted mobility as a key issue in increasing the UK’s competitiveness. In the UK context, it is the stickiness of UK workers, spatially but, also, sectorally, that might explain why it is that we have a million or so people who are economically inactive at the same time as several hundred thousand vacancies. What we have seen, especially from young Poles and Lithuanians who have come in recent years, is that they are highly mobile spatially within the UK—sectorally as well; that they come and pick fruit in the East of England, and then go and work in hospitality
in Cornwall, and then come and work in another sector in London. They are responding to labour market needs where and when they occur in a much more fluid way than I think sections of the British workforce are. That, of course, presents incredible challenges for policy makers.

Q503 Lord Macdonald of Tradeston: One of the carrots in the past, if you were an economic migrant from Scotland to Coventry, was that you got higher wages. Is that carrot still the most important thing or is there a stick as well to say to people: “You will not live comfortably here unless you work”? Dr Sriskandarajah: I do not know.

Q504 Lord Paul: Do you have comments on the Government’s submission to this inquiry? Are the Government’s conclusions about the economic impacts of immigration based, in your view, on a balanced assessment of the available evidence? Have you done any studies to show, if there had been no immigration since 1948, what would be the ratio in this country of people over 65 compared to the other ones, in view of the problem with more children being born?

Dr Sriskandarajah: The Government’s submission to this inquiry and government publications in recent years have been balanced and have taken a considered view of what, unfortunately, little evidence exists in this area. The Government, like all of us, has been constrained by the lack of good quality, recent, nuanced data on the economic impacts of immigration. I think, in fact, the Government has not been bold enough, perhaps, in singing its successes in terms of managing migration; that we have, I think, been able to sustain this relatively long period of economic growth, low unemployment, low inflation, in part, as I said from the outset, because of access to migrant workers. Unfortunately, I think the Government has been on the back foot in terms of defending or having to defend its record on migration. I have some concerns about some of the assumptions in the Government’s submission around accessing EU workers, around low-skilled workers, and I await evidence, real evidence, of those local impacts of migration that the Government is concerned about. I fear a situation in which anecdote about local economic and other impacts drives policy making. On your question about the counterfactual, I do not have figures to hand but I can certainly ask colleagues to generate them and submit those to the Committee.

Q505 Lord Griffiths of Fforestfach: Can I just ask one question? You say in your evidence to us that “an assessment of whether those who are admitted on exclusively or primarily economic grounds are contributing to the economy... is likely to reveal a very positive picture”. That, I have to say, goes against some of the evidence that we have received. I just wonder what is your basis for saying it so strongly.

Dr Sriskandarajah: If we were to look at a group such as work permit holders—the 100,000 or so people in the last few years, each year, who have been issued work permits—and were to look at the economic contribution of that group (this is the classic discretionary economic migrant group), I am confident that we will see a group of people who are contributing immensely to the UK’s GDP per capita, the UK’s competitiveness, the UK’s dynamism and the UK’s international networks. If we were to focus on just those people who have been allowed into the UK on a discretionary basis for the purpose of working here, or some other form of economic activity—highly-skilled people, investors, business people—that are exactly the sorts of people who are the sort of “cream of the crop”. If you look—

Q506 Lord Griffiths of Fforestfach: Can I just say: do you judge it because their income per head is higher than the income per head of the existing population?

Dr Sriskandarajah: Yes, and other factors. If you look at the income distribution of foreign-born people in the UK, it is what might be called simplistically an hour-glass shape. At the high end of the income spectrum, foreign-born people outnumber British-born people significantly. The Russian billionaires, the Indian entrepreneurs, are here in substantial numbers and making substantial contributions, and the American bankers. My point, right at the outset, is that if we were to look at the economic impact of those people, the people we are admitting to the UK on economic grounds, purely or primarily economic grounds, I think we would have a very positive picture. Unfortunately, our data sources do not allow us to be sufficiently nuanced. Our labour force survey does not classify people according to immigration status, so we are left to count people and assess their characteristics by dint of where they were born or what nationality they hold, not whether they are here as asylum seekers, spouses, work permit holders or highly skilled migrants. If we were to do that, the claim I make is that those economic migrants who are there are probably making incredibly important economic contributions in terms of GDP per capita, and in all sorts of other ways.

Chairman: Are there any other questions?

Q507 Lord Lawson of Blaby: I think that the contribution made by American bankers and wealthy Indian businessmen is very, very considerable, but I do not think you can draw conclusions on large-scale migration from that. May I ask you a simple question? What is wrong with this country? I live half...
the time in France. We have a more flexible labour market than the French do and, indeed, the present Prime Minister has frequently boasted about that; it is a fact. You say that we cannot manage in the health service and we cannot get carpenters without immigration. The French have immigration but it is at a far lower level than ours, and yet the health service, in my experience, in France works better than ours and there is no difficulty, particularly, in getting carpenters there. What is wrong with this country? Dr Sriskandarajah: How long do you have? Just to give one example of economic contributions made by people other than, say, American bankers, the North West Development Agency published a report last year in which it looked at entrepreneurs in the North West of England and they calculated that migrant entrepreneurs, many of whom run small-scale businesses in hospitality, catering and retail, have turnovers on average that are double their UK-born compatriots and their activity together generates 100,000 new jobs in a region such as the North West. My point is not simply that it is the American bankers sitting in Canary Wharf who are the migrants who are creating economic dynamism; I suspect it is across the board. In terms of dynamism and labour market flexibility and “what is wrong with this country”, I think there is a lot right with the way that the UK is managing migration. There are obvious challenges in terms of managing the numbers of people coming in and managing local impacts, but I think that if we relish the fact that the UK is a highly competitive, open economy, then we have to accept the fact that migration has to be part of the solution. Migration alone is not going to solve Britain’s carpenter under-supply. However, in the short term, it has to be part of the way of responding to that. If we have construction projects that need to happen tomorrow and we do not have the time to train up our British carpenters, then we have— Q508 Lord Lawson of Blaby: May I suggest to you there is an alternative explanation? In fact, we do not need to do this at all. The French have proved that you do not need to solve your problems that way. They solve it with a much, much lower level of migration. You may wish to, but there is no need to do it that way. Dr Sriskandarajah: I think there is something inherent about the nature of British society that suggests that immigration and emigration are facts of life. Last year, one million people moved across UK borders as migrants, people who were intending to stay for a year or longer—600,000 in and 400,000 out. We have calculated there are some 5.5 million British nationals who spend all or part of their time living abroad—more than the number of foreign nationals who live in the UK. Historically, and especially in the last ten years, migration in and out of this country has become a reality. I think that brings immense challenges but it is a reality that we should face up to and make the most of. Q509 Chairman: A good point, I think, on which to end. Thank you, again, for coming along and answering our questions. Thank you for your written submission. If there is anything you feel that you have not let us have that you want to let us have later on, then do drop a line to the Secretary. Dr Sriskandarajah: Thank you very much. Chairman: Thank you.
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

TUESDAY 15 JANUARY 2008

Present

Best, L
Griffiths of Fforestfach, L
Lamont of Lerwick, L
Lawson of Blaby, L
Layard, L
Macdonald of Tradeston, L
(Chairman)

MacGregor of Pulham Market, L
Moonie, L
Oakeshott of Seagrove Bay, L
Paul, L
Skidelsky, L

Memorandum by the Home Office

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**AUTHORS**

This is a cross-departmental submission. Each section has been produced by a lead department, with input from others as appropriate. The lead departments were:
- Section 1: Office for National Statistics
- Section 2: Home Office (Economic and Resource Analysis)
- Section 3: HM Treasury
- Section 4: Department for Work and Pensions
- Section 5: Home Office (Economic and Resource Analysis)
- Section 6: Home Office (Economic and Resource Analysis)
- Section 7: Home Office (Economic and Resource Analysis)
- Section 8: Office for National Statistics
- Section 9: Home Office (Border and Immigration Agency)
1. Numbers

Key Points

— According to the UN, over recent decades the number of people worldwide who live abroad has increased from 75 million to 191 million.
— The UK has shared in this increasing migration: in the year from mid-2005 to mid-2006, 385,000 people left the UK on a long-term basis (for more than one year) whilst 574,000 entered the UK on a long-term basis.
— Estimating future migration flows is difficult and official assumptions about future migration are usually based on past trends.
— The new ONS official 2006-based population projections will assume net long-term migration of 190,000 per annum.

1.1 ONS submission to the House of Lords Select Committee

1.1.1 The Office for National Statistics (ONS) has provided the House of Lords Select Committee with a separate statistical submission. This contains the following sections:
Section 1: Background
Section 2: Numbers and characteristics of immigrants
Section 3: Population projections and migration
Section 4: Employment of immigrants
Section 5: How can data on immigration be improved?
Annex A: How immigration is reflected in the national accounts

1.1.2 The ONS submission provides the statistical background to this cross-departmental submission. Whilst not replicating all of the material contained within the ONS report, this cross-departmental submission does highlight some of the headline data to provide context for the rest of the report.

1.2 What are the numbers of recent immigrants?

1.2.1 According to UN statistics, between 1960 and 2005 the number of persons across the world who were living abroad more than doubled from 75 million to 191 million (about a fifth of this increase was due to the transformation of internal to international migrants following the fall of the former Soviet Union—in particular, the split of former Yugoslavia and the division of former Czechoslovakia).

1.2.2 Figure 1.2.1 shows UK total international long-term migration from mid-1996 to mid-2006. In the year to mid-2006, the flow of long-term migrants into the UK was 574,000 and the outflow was 385,000. Net international migration (the difference between long-term migration into and out of the UK) was 189,000 in 2006, down from 262,000 in the year to mid-2005.

1.2.3 These figures report the total number of international migrants that is, without any separation by country of birth. In accordance with the United Nations definition, these figures also include British nationals returning after a year or more abroad.1

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1 Data are not yet available to break down total international migration for the year to mid-2006 by country of birth. The most recent figures relate to the 2005 calendar year. They show a net inflow of 296,000 foreign-born migrants, a net outflow of 111,000 UK-born migrants and therefore an overall net inflow of 185,000 for the calendar year as a whole. 77,000 UK-born migrants returned to live in the UK after a year or more abroad.
1.3 What are the expected future trends for immigration from within and outside the EU?

1.3.1 For the purposes of producing population projections, assumptions are made about future levels of migration. It must be stressed that assumptions about future migration are assumptions based on past trends. They are not forecasts. As a result they do not take into account future policy changes (e.g., the impact of the Points Based System on future migration flows). For the 2004-based projections the assumption was made that, in the long term, there would be an inflow of 500,000 people a year coming to live in the UK on a long-term basis. On the same basis, the assumed outflow was 355,000, giving total long-term net migration of 145,000 per year. The assumptions about the groups comprising these figures are shown in Table 1.3.1.

1.3.2 On 27 September ONS published the headline assumptions that will underpin its 2006-based population projections.2 The new figures increase the net migration assumption to 190,000, per year, up from 145,000 in the 2004-based projections. This increase is partly due to taking account of data for two new years (2004 and 2005) where net migration to the UK has been at record levels, and partly because of methodological changes. The ONS submission discusses the differences between the 2004 and 2006-based assumptions in more detail. The full set of 2006-based population projections and the underlying migration assumptions will be published on 23 October 2007.

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Table 1.3.1

ASSUMED ANNUAL LONG-TERM GROSS MIGRATION FLOWS,
UNITED KINGDOM, 2007–08 ONWARDS

<table>
<thead>
<tr>
<th>Illustrative breakdowns of IPS component</th>
<th>Inflow (000s)</th>
<th>Outflow (000s)</th>
<th>Net flow (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>British citizens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old Commonwealth &amp; USA</td>
<td>40</td>
<td>65</td>
<td>−25</td>
</tr>
<tr>
<td>New Commonwealth</td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>EEA</td>
<td>30</td>
<td>65</td>
<td>−30</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>20</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Non-British citizens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old Commonwealth &amp; USA</td>
<td>90</td>
<td>55</td>
<td>40</td>
</tr>
<tr>
<td>New Commonwealth</td>
<td>75</td>
<td>10</td>
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</tr>
<tr>
<td>EEA</td>
<td>75</td>
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<td>25</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>105</td>
<td>40</td>
<td>65</td>
</tr>
<tr>
<td>Total IPS migration</td>
<td>450</td>
<td>305</td>
<td>145</td>
</tr>
<tr>
<td>Adjustment to IPS data (see text)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visitor switchers</td>
<td>35</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Migrant switchers</td>
<td>−25</td>
<td>−5</td>
<td>−20</td>
</tr>
<tr>
<td>Asylum seekers</td>
<td>30</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Total civilian migration</td>
<td>500</td>
<td>355</td>
<td>145</td>
</tr>
</tbody>
</table>

Note: Figures are independently rounded to the nearest 5,000. Therefore, component figures may not sum to totals. Source: Government Actuary's Department and Office for National Statistics: National Population Projections: 2004-based, Series PP2 no 25

Notes

The projections in this table are based mainly on data from the International Passenger Survey (IPS). This is a sample survey of passengers arriving at, and departing from, the main United Kingdom air and sea ports and the Channel Tunnel. Figures based on the IPS shown in this table are based on relatively small sample numbers. For this reason, the disaggregation of the IPS totals should be regarded as purely illustrative.

Migrants are defined as individuals who change their country of usual residence for a period of at least a year. Adjustments to IPS data are required for people who originally intend to enter or leave the country initially for a short stay but subsequently decide to remain for a year or more (visitor switchers), and for people who intend to be migrants but in reality stay in the UK or abroad for less than one year (migrant switchers).

The IPS excludes most, but not all, persons seeking asylum and some dependants of such asylum seekers. An adjustment for those not covered by the IPS is needed for this reason. Asylum seeker assumptions are based on advice from the Home Office. The assumption for the 2004-based projections covers the migration of all asylum seekers (including failed asylum seekers) not captured by IPS flows, and is on a consistent basis with the annual estimates of asylum seeker migration made by the ONS.

Flows between the UK and the Republic of Ireland are based on Irish data sources including the Irish National Quarterly Household Survey. Following consultation with the Central Statistics Office in Ireland, an assumption of a future annual net outflow of 10 thousand has been made.

Old Commonwealth: This is defined as Australia, Canada, New Zealand and South Africa.

New Commonwealth: This is defined as all other Commonwealth countries, British Dependent Territories and British Overseas citizens. This excludes Hong Kong, Malta and Cyprus are included in the New Commonwealth grouping.

EEA: European Economic Area—this consists of the EU Member States as constituted on 1 May 2004 as well as Iceland, Liechtenstein and Norway.
2. Public Finance and Net Fiscal Impacts

Key Points

— The fiscal contribution of migrants must be considered in both the long and short run.
— The impact on the public finances will depend on the impact on tax revenues (through personal tax, corporate tax, VAT, etc) and the extent to which migrants or their families draw on public services and benefits. The overall magnitude of any effect will also be influenced by whether the current budget is in surplus or deficit.
— A Home Office research study found that, in 1999–2000, first generation migrants in the UK contributed £31.2 billion in taxes and consumed £28.8 billion in benefits and public services—a net fiscal contribution of £2.5 billion.
— More recent work by the Institute for Public Policy Research (IPPR) found that migration has a positive and growing impact on the public finances. By 2003–04 it was estimated that migrants contributed 10% of government receipts and accounted for 9.1% of government expenditure.
— Though based on a previous set of migration assumptions, analysis by the Government Actuary’s Department suggests that, in the long term, immigration helps to reduce the burden of contributions to the National Insurance Fund.

2.1 How does immigration affect the public finances?

2.1.1 Migrants to varying degrees pay taxes, claim benefits and consume government-provided goods and services for the entire time they live in the host country. Through their participation in these activities they have a direct impact on government expenditure and revenue. If migrants pay more in taxes than they consume in benefits and state services they are said to be net fiscal contributors. If migrants consume more in public services than they contribute through taxes, they are a net fiscal cost to the state. The former represents a net transfer of resources from the migrant to the native population. The latter represents a transfer of resources from the native population to the migrant.

2.2 Do immigrants contribute more in taxes than they use in public services?

2.2.1 In broad terms, the lifetime fiscal profile of an individual can be split into three distinct stages. From birth, until the end of state-funded education, an individual will be a net fiscal cost to the state. Once an individual enters the job market, he or she is likely to be a net fiscal contributor; the magnitude of this contribution will depend on the rate of employment and the level of earnings. At the end of an individual’s working life, he or she is likely to again become a fiscal cost through the state-funded pension and increased health costs. If society treats every age cohort equally, then the net contribution from these distinct phases will average to zero over a lifetime.

2.2.2 Given this outline of the fiscal system, it is clear that the fiscal contribution of immigrants must be considered in both the short and long run. In the short run, the impact on the public finances will depend on the amount of tax migrants pay (a function of their rate of employment and level of earnings) and the extent to which they or their families draw on public services and benefits. The overall magnitude and direction of any effect will also be heavily influenced by whether the current budget is in deficit or surplus. For this reason it is best to compare the net fiscal contribution of migrants to that of non-migrants in particular years.

2.2.3 In 2001, the Home Office published a research study, “Migration in the UK an economic and social analysis”. This was supplemented in 2002 by a more detailed look at the fiscal impact of migration, “The Migrant Population in the UK: fiscal effects”, by Gott and Johnston. The headline finding of the more detailed paper was that migrants contributed more than natives. In 1999–2000, first generation migrants in the UK contributed £31.2 billion in taxes and consumed £28.8 billion in benefits and state services. After rounding, this amounted to a net fiscal contribution of £2.5 billion. A number of assumptions were made to arrive at this estimate but the main characteristics driving the effect were a smaller proportion of people over 65 in the migrant population and a larger percentage of migrants of working age than in the native born population. Further, although at that time a greater proportion of migrants were unemployed than was the case for the native population, a higher percentage were employed in professional and other high-skilled occupations.

2.2.4 There are two main caveats to the 2002 Gott and Johnston study. Firstly, the average nature of the calculation masks variations across different migrant groups. Secondly, the calculations relate to 1999–2000, when the government budget was in surplus overall. As a result, the average fiscal contribution of both natives and migrants was positive. Nonetheless, whilst the UK-born population was estimated to have paid almost 5% more in taxes than it received in terms of public services and welfare benefits, migrants were estimated to have paid 10% more than they received.

2.2.5 In 2005, the Institute for Public Policy Research (IPPR) produced updated estimates of the net fiscal impact of migration, based largely on the Gott and Johnston works. Again, the authors found that migration had a positive influence on the public finances, but also that the impact was growing. Between 1999–2000 and 2003–04 it is estimated that revenue from migrants grew by 22% in real terms as opposed to 6% for the UK-born population. In 1999–2000 the study estimates that migrants accounted for 8.8% of government receipts and 8.4% of government expenditure. By 2003–04 it was estimated that migrants contributed 10% of government receipts and accounted for 9.1% of government expenditure.

2.2.6 In the long run, it is likely that the net fiscal contribution of an immigrant will be greater than that of a non-immigrant. For migrants of working age who enter the country this is relatively clear; the UK is receiving the fiscal contribution of their work, without paying for the education and training that enables them to work. Even for young children, by assuming as we do that each age cohort is treated equally through the fiscal system, then, in the long run, migration to the UK is still likely to mean a net fiscal transfer to the native population.

2.2.7 A 2006 paper by MigrationWatch criticises the methodology of the 2002 Home Office paper and the subsequent IPPR work. The criticism centres on the treatment of UK-born dependent children of migrants. Specifically, the large number of UK-born children of mixed households (one migrant and one non-migrant parent) were included as UK-born children in the Home Office and IPPR studies. MigrationWatch argue that such children should be apportioned 50:50 to migrants and non-migrants, although once they reach working age they are regarded as non-migrants. No usual definition of “migrant” would consider such children as migrants, and doing so would substantially bias the calculation against migrants. Children born in the UK are UK citizens and it is inconsistent to view them as “part migrant” before the age of 16, but UK nationals after that age. An article providing further details of this issue and the subsequent Home Office critique of the MigrationWatch findings was submitted as written evidence to the House of Commons Select Committee on Home Affairs.

2.2.8 To our knowledge, there are no published estimates of the long-run fiscal contribution of an immigrant to the UK. Any such estimate would of course be subject to a large degree of uncertainty as the tax and benefit system and earnings and employment profiles are difficult to predict accurately in the long run. Despite these uncertainties, estimates of the lifetime net present value of a migrant to the US fiscal system were published in 1997. The results of the work estimate that, on average, an immigrant has a net present value of around $80,000 to the US fiscal system, in 1996 US Dollars. This surplus is estimated to be very large for highly skilled migrants (around $180,000) and slightly negative for individuals educated to below secondary high school level (around $13,000). These estimates do not make any assumptions about migrants increasing the productivity of native workers. If this type of effect was incorporated into analysis of the long-run fiscal contribution of migrants, then the contribution of migrants would be enhanced.

2.3 As the UK population ages, does immigration affect the shortfall in pension funding?

2.3.1 To our knowledge, there are no published estimates of the direct impact of immigration on the shortfall in pension funding in UK. Any attempt to produce such an estimate would have to take into account that whilst immigrants are more likely to be of working age and hence reduce the dependency ratio, in the long run these migrants will also age. Nonetheless, theoretical considerations suggest the impact is still likely to be beneficial in the long term.

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7 See http://www.publications.parliament.uk/pa/cm200506/cmselect/cmha775/775awe60.htm#note44
2.3.2 Analysis by the Government Actuary’s Department (GAD)\textsuperscript{10} looks at the impact of different migration assumptions on the National Insurance Fund. As well the state pension, the National Insurance Fund contributes funding for items such as incapacity benefits, bereavement benefits and the Jobseekers’ Allowance. The GAD bases its calculations on 2001-based interim population projections.\textsuperscript{11} Whilst these assumptions are some way from those used in the latest set of population projections, the calculations still provide a useful illustration of the impact of immigration on the public finances.

2.3.3 The GAD analysis looks at the joint (employer and employee) Class 1 National Insurance contribution rate necessary to balance income and expenditure in the year. Under the low migration scenario, the joint contribution rate would need to be 27.9\% in 2060–61 to balance the fund. Under the high migration scenario, this rate would fall to 26.3\%. The positive long-term impact of immigration on the National Insurance Fund should not, therefore, be overlooked.

2.3.4 Section 6 of this submission considers more fully whether immigration could ease the pressure on the public finances resulting from population ageing.

3. Macroeconomic Impacts: What has Been the Impact of Immigration on Key Macroeconomic Indicators

Key Points

— Migration affects trend growth principally through changes in the working age population.

— Work by the National Institute of Economic and Social Research suggests that around 17\% of economic growth in 2004 and 2005 is attributable to immigration.

— The Treasury estimates that between Q3 2001 and mid-2006 migration added 0.5\% per annum to the working age population and therefore supported growth in economic output. On this basis, migration contributed around £6 billion to output growth in 2006.

— There is no quantitative evidence available on the impact of immigration on GDP per head. Wage data suggest migrants may have a positive impact directly through their own output and indirectly through raising the productivity of others.

3.1 What is the impact on growth?\textsuperscript{2}

3.1.1 Immigration has clear benefits for both the labour market and the economy as a whole. Riley and Weale (2006)\textsuperscript{12} have estimated that the economy grew by 5.3\% in 2004 and 2005 together. Of this, 0.9 percentage points can be attributed to the direct effect of immigration. That is, approximately 17\% of economic growth during the period is attributable to immigration.

3.1.2 Immigration, along with greater labour force participation among older people, has been a key source of additional labour supply in recent years. Concerns that native workers would be displaced by migrant workers, especially following the accession of the new member states in 2004, seem ill-founded, as migrant workers appear to have complementary skills to the native labour force.\textsuperscript{13}

3.1.3 This is supported by the OECD in its assessment of the UK in its Economic Outlook in November 2006:\textsuperscript{14}

“Record high inward migration has been adding to potential growth while fuelling domestic demand . . . Since strong labour force growth also leads to a higher path for potential output, stronger growth achieved through this channel would not necessarily result in an acceleration of inflation. On the contrary, international as well as UK evidence suggests that immigration can serve to make the labour market as a whole more fluid and wages less sensitive to demand fluctuations.”

3.1.4 Recent ad-hoc survey evidence from business further supports the view that migrant workers make a significant positive contribution to the UK economy.\textsuperscript{15} This evidence highlights the benefits arising from the skills, higher productivity and work ethic that migrant workers bring.


\textsuperscript{11} The 2001-based principal variant projections used in the GAD report assume long-term net migration to the UK of 101,500 per annum. A low-migration variant reduces this figure to 41,500 and a high-migration variant increases it to 161,500.


\textsuperscript{14} OECD Economic Outlook 80, November 2006.

3.2 What is the impact on trend growth?

3.2.1 The Treasury’s framework for assessing trend growth\(^\text{16}\) measures the change in four components:
- Average output per hour of the working age population.
- Average hours worked per worker.
- Employment rate of the working age population.
- The working age population.

3.2.2 From the start of the economic half-cycle in 2001 Q3 to mid-2006 migration added around 0.5% per annum to the working age population, stimulating growth in total output. Average output growth over this period was around 2.7% per annum and migration is estimated to have contributed around 15–20% of this. On this basis, migration contributed around £6 billion to output growth in 2006.

3.2.3 Looking ahead, migration is expected to continue to contribute towards growth in the population of working age, and hence overall growth in the economy. While projections of net migration are subject to uncertainty, data on migration released during 2006 provided evidence to support an upward revision of the assumed working-age population growth rate post-2006, from 0.4% to 0.6%. Details of this are set out in Trend Growth: new evidence and prospects, published alongside the 2006 Pre-Budget Report.\(^\text{17}\)

3.3 GDP per head

3.3.1 The Committee has asked about the impact of migration on GDP per head. It is of course important to consider not only the impact of migrants on GDP, but also how they might contribute to an increase in wealth in the population as a whole. Because it may take migrants some time to fully integrate in the UK labour market, and because changes in migrant numbers in any one year are marginal to the totality of economic activity, it will always be difficult to determine exactly what effect migrant labour as a whole has on economic activity and hence GDP per head in the medium term.

3.3.2 There are two ways of approaching this question: the direct effect of migrants on employment and earnings; and their indirect effect on non-migrant workers.

3.3.3 The first way is to examine the contribution to GDP per head that an individual migrant makes through his or her personal contribution to economic production. If migrants gain employment and earn at a rate above the national average, they will tend to raise GDP per head through a simple averaging effect. The earnings and employment propensities of foreign-born workers are discussed in more detail in Section 5.4 of this submission. This suggests that, on average, migrants contribute more to GDP than natives, so raising GDP per head. However, even 200,000 additional migrants in any one year constitute a relatively small proportionate increase in the overall population of the UK, so the direct impact of migration on GDP per head will inevitably be small.

3.3.4 As noted elsewhere, migrants differ markedly in their characteristics and economic outcomes. The impact of an “average” migrant is therefore not representative of the impact of any given migrant. A decrease in high-skilled economic migration would, for example, have a much greater negative impact than the average data would suggest.

3.3.5 The second approach is to ask what contribution foreign-born workers make to the economy, jointly with their UK-born counter-parts. If migrant workers complement the activities of native workers, then the productive contribution of all workers is increased, with the potential for larger increases in wealth. Over the medium to long term this effect is likely to dominate, but is much harder to quantify than the direct effect.

3.3.6 Again, examination of earnings can help shed some light on this question. There is some evidence on complementarities from the Low Pay Commission, discussed in Section 4.4. This suggests that migrant workers raise the earnings of native workers by not insignificant amounts overall (a 1% increase in the ratio of immigrants to natives would lead to a 0.3% to 0.4% increase in average earnings for natives). Earnings growth is higher in the middle and upper part of the native earnings distribution, and lower at the very bottom, relative to the position in the absence of migration. This suggests migrants may raise the productivity of those in the middle and upper part of the distribution and so raise GDP per head. The transmission mechanisms which lead to differential effects in different parts of the earnings distribution are, however, as yet unclear.

3.3.7 Migration might impact on components of GDP other than earnings, such as the returns to capital. We are not aware of any research providing quantification of this issue.

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\(^{16}\) The rate at which the economy can grow without putting upward or downward pressure on inflation.

\(^{17}\) See http://www.hm-treasury.gov.uk/media/3/1/pbro6_trendgrowth_345.pdf
3.3.8 The labour market integration of migrants seems to improve over time, as they gradually move towards full assimilation as workers, gaining from work experience, improved language skills and better work search techniques. This means that estimating the full contribution to wealth of migrant workers on the basis of the immediate contribution of the annual inflow in any one year will be misleading.

3.3.9 In addition, it would not be right to estimate the total contribution of all migrant workers simply by subtracting their productive output and numbers respectively from the numerator and denominator of the GDP per head ratio calculation. The integration of migrant workers in the economy, and their ability to complement the activities of other workers, means that the impact on national output of a total withdrawal of migrant labour would be likely to be very substantial. However, quantifying this impact is difficult given the lack of data in this area and the large number of assumptions that would underpin estimates of productive potential.

3.4 Productivity and innovation

3.4.1 Migrants’ impact on aggregate productivity is dependent on the level and composition of their skills, their ability to employ these skills effectively in the host country and the ability of the host economy to employ them effectively.

3.4.2 Migrant workers may boost the labour productivity of UK workers if their skills are complementary, and contribute to technical progress and innovation. Contact with people from different backgrounds and experiences of alternative work practices can contribute to both process and product innovation and raise productivity through these channels. Evidence from the US points to highly skilled migrants encouraging technical progress.18

3.4.3 In addition, the impact on productivity depends on the amount of capital available in the UK economy. If the capital stock is fixed in the short term, inward migration may depress aggregate labour productivity, though this depends on the extent to which migrant workers complement the existing workers. However, investment is likely to increase in the face of an increase in the labour supply as the return to capital increases and firms expect a larger population to demand more goods and services.

3.4.4 Past episodes of large immigration flows have indeed been associated with periods of rapid capital accumulation, though the sunk costs and adjustment costs associated with investment can imply a lag between inward migration and increased investments.19 With liberalised capital markets such as in the UK, capital flows are likely to respond fairly rapidly to an increase in labour supply.

3.4.5 It is important to note that the impact of migration on measured aggregate productivity will depend on the sectors and occupations where migration is concentrated. For example, if the migration is concentrated in lower productivity sectors this may dampen aggregate productivity (since it increases the number of workers in lower productivity sectors) but could at the same time raise the productivity of every individual in the economy (both migrants and non-migrants) if migrants and native workers are complementary.

3.4.6 Wages over the longer term are an indicator of labour productivity as they reflect the value added of workers, though wage differences could in part reflect sectoral labour demand and supply imbalances. The mean wage for the foreign-born is £424 per week, compared with £395 for the UK-born, suggesting migrants have higher productivity than UK workers.20

4. Labour Market, Productivity and Skills Impacts

Key Points

— In the final quarter of 2006, people born overseas accounted for 12.5% of the UK working age population, up from 7.4% a decade earlier.

— Since 1997, the number in of people in work has increased by around 2.7 million; ILO unemployment is has fallen by 1.8 percentage points to 5.4%; and the claimant count rate has fallen by 1.9 points to 2.6%.

18 See the following papers:


20 DWP calculations, based on the Labour Force Survey
Migration is one source of labour market growth but not the only one—there are now more older people, lone parents and disabled people in work.

DWP evidence shows that migration has not had a negative impact on labour market outcomes such as wages and unemployment.

4.1 The labour market impact of immigration: Context

4.1.1 Over the last 10 years the UK labour market has performed strongly, delivering both high employment and low unemployment. Since 1997 the number of people in work has increased by around 2.7 million. This reflects both reductions in unemployment and improvements in economic activity. The ILO unemployment rate has fallen by 1.8 percentage points, to 5.4%, and the claimant unemployment rate by 1.9 points, to 2.6%. Excluding students, inactivity has fallen by 1.3 percentage points of the population, to 16.2%, as some individuals who were previously not looking for work have been drawn back into the jobs market. Migration is one source of labour market growth, but not the only one. Firstly, there are more older people, lone parents and disabled people in work. Secondly, and more broadly, there are more people returning to work and more people staying in jobs for longer.21

4.1.2 Meanwhile, the number of foreign-born in the labour force has risen noticeably, particularly following the expansion of the European Union in 2004 and the decision to allow free movement of workers from the new Member States (the “A8”). According to the Labour Force Survey (LFS), in Q4 2006 people born overseas accounted for 12.5% of the UK working age population, up from 7.4% a decade ago (see Figure 4.1.1 below).

Figure 4.1.1

FOREIGN-BORN WORKING AGE POPULATION AS A PERCENTAGE OF THE UK WORKING AGE POPULATION, Q2 1997 TO Q4 2006

Source: Labour Force Survey

4.2 The labour market impact of immigration: theory

4.2.1 In theory, immigration could have a number of impacts on the labour market and in particular the labour market outcomes of natives. Depending on the characteristics of migrants and the labour market adjustment process, impacts could be seen on both employment and wages.

4.2.2 There is no theoretical reason why immigration need either depress native wages or increase native unemployment. Given that there is a strong long-run correlation between the size of the labour force and employment, there is no “lump of labour”; it is not true to say that there are only a fixed number of jobs to go round. It is increasingly recognised that, given sound macroeconomic management, unemployment is

primarily a structural phenomenon. If that is the case, then migrants will have no effect on the job prospects of natives (in the medium or long term); and the appropriate policies for Government to pursue to address unemployment among natives (and, to the extent relevant, among past and present migrants) are active labour market policies designed to connect people with the labour market, including by increasing their skills and employability. This is what the Government is doing with its current programme of welfare reform. A key element of this is a new jobs pledge that aims for major employers to offer a quarter of a million job opportunities to local people at a disadvantage in the labour market. This pledge will be delivered through Local Employment Partnerships.

4.2.3 Nor is there any theoretical reason to expect that immigration will lead to a reduction (or increase) in native wages, either overall or for specific groups. If the result of migration is not to increase labour market competition at any particular level, but to change the nature of the production in the economy—and hence of labour demand as well as labour supply—there is no necessary impact on wages. If migration raises the productivity of native workers through complementary skills, then wages may rise. Indeed, the academic consensus is that the impact of migration on native labour market outcomes, especially in a relatively open and flexible economy like the UK, is likely to be small or zero:

“The usual theoretical models do not establish a presumption for or against the existence of long-run employment or wage effects. If the economy is characterised by a large and heterogeneous traded goods sector, employment and wages may be insensitive to immigration” (Dustmann et al, 2003)

“There is some presumption that output-mix adjustment fully absorbs the immigration shock . . . our presumption should be that immigration has no long run effect on labour market outcomes” (Gaston and Nelson, 2002)

4.3 The impact of immigration on employment

4.3.1 This theoretical presumption appears to be supported by the available empirical evidence for the UK. A number of papers have looked at the employment impacts of migration; none appears to have found a statistically significant impact.

“The empirical literature from around the world suggests little or no evidence that immigrants have had a major impact on native labour market outcomes such as wages and unemployment. Recent work by a number of other authors for the UK is also consistent with this view”, (Blanchflower, 2007)

4.3.2 Dustmann et al (2002) looked at all migrants in the UK using a range of available migrant data sources and found that:

“. . . if there is an impact of immigration on unemployment then it is statistically poorly determined and probably small in size”.

4.3.3 However, this paper looked at migration flows over a long period, and recognised that given the nature of the adjustment process it might not be possible to isolate the direct impact of migration.

4.3.4 More recently, a particularly strong test of the labour market impact of migration is given by experience with the accession of eight new European Union Member States in May 2004. This initially led to significant inflows to the UK labour market over a relatively short period of time. Moreover, the new migrants were concentrated in certain occupations and in certain areas of the country. Whilst the occupational distribution of non-A8 foreign-born is broadly similar to that of the UK-born, the A8-born are concentrated in lower skill occupations. The A8-born have also gone to parts of the country that are not traditionally associated with migration. So if immigration was to have a significant impact, we would expect to see it reflected in the more recent data.

4.3.5 The claimant count increased between 2004 and 2005 around the same time as the A8 countries joined the EU and migrants from these countries began to come to the UK in significant numbers. Between January 2005 and June 2006 the claimant count increased by over 130,000. At the same time 310,000 A8 migrants
registered for work in the UK on the Workers Registration Scheme. It has been suggested that the new A8 immigration might have caused the rise in claimant unemployment.

4.3.6 The Department for Work and Pensions (DWP) has performed an extensive and thorough statistical analysis of claimant count data, the Annual Labour Force Survey and the Workers Registration Scheme (WRS). This analysis found no discernible statistical evidence that A8 migration has resulted in an increase in the claimant count rate since May 2004.

4.3.7 Vacancies, including those in sectors where migrants are concentrated have been and remain historically high. The magnitude of vacancies in the UK in a given month is far greater than the inflow of A8 migrants.

### Table 4.3.1

**NUMBER OF VACANCIES BY INDUSTRIAL SECTOR SEPTEMBER 2006 TO AUGUST 2007**

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>Vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and Fishing</td>
<td>1,635</td>
</tr>
<tr>
<td>Energy and water</td>
<td>1,853</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12,024</td>
</tr>
<tr>
<td>Construction</td>
<td>10,383</td>
</tr>
<tr>
<td>Distribution, hotels and restaurants</td>
<td>57,091</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>12,163</td>
</tr>
<tr>
<td>Banking, finance and insurance</td>
<td>182,323</td>
</tr>
<tr>
<td>Public admin, education and health</td>
<td>36,333</td>
</tr>
<tr>
<td>Other services</td>
<td>12,254</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>326,058</strong></td>
</tr>
</tbody>
</table>

*Source: ONS Vacancy Survey, monthly average September 2006 to August 2007, figures relate to GB*
4.3.8 The chart above shows that there is no relationship between the change in the claimant count rate between 2004–05 and 2005–06 and the concentration of A8 migrants across local authority districts (LADs) in the UK. If A8 migrants had caused an increase in the claimant count we would expect the line of best fit to slope upwards from left to right, ie areas which have seen a increase in the claimant count rate would also have a relatively high concentration of A8 migrants and vice versa. In fact it is effectively flat.

4.3.9 In the DWP paper, Gilpin et al (2006) performed a number of further sophisticated econometric tests of this data, and concluded:

“. . . we have found no discernible statistical evidence to suggest that A8 migration has been a contributor to the rise in claimant unemployment in the UK.”

4.3.10 So far, both theoretical and empirical analysis suggests that migration has had no impact on the employment prospects of UK natives. The August 2007 Labour Market Statistics report showed that employment had reached a near all time high of 29.07 million while the claimant count had fallen for 10 of the last 12 months, despite the continuation of significant inflows from the new Member States.

4.4 The impact of immigration on wages

4.4.1 Research commissioned by the Low Pay Commission (Dustmann et al 2007) looked at the inflow of migrants to the UK between 1997 and 2005, largely pre-dating the recent wave of immigration from the A8 countries, and found that while there was, on average, a slightly positive effect on wage growth there were very modest negative effects at the lower end of the distribution. These findings are in line with planned changes to Government immigration policy. Under the new Points Based System, the Resident Labour Market Test will

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30 It should be noted that evidence from the WRS suggests that the occupational and geographic mobility of A8 migrant workers has increased since the period just after EU enlargement. All else being equal, we would expect this to dampen any potential impact on the UK labour market.

only apply to jobs below a certain salary, since it is here that there is most public concern about the impact of migrant labour on the domestic labour market.\textsuperscript{32}

4.4.2 To put their findings into perspective, Dustmann \textit{et al} (2007)\textsuperscript{33} look at the wage impact of immigration within the context of overall wage growth for different groups of workers. Over the period considered, the real hourly wage grew by an average of 18 pence per year at the first decile. Without immigration, this figure would have been 0.7 pence higher. Further up the wage distribution, immigration added about 1.5 pence per year to real hourly wage growth at the median, and 2.3 pence at the ninth decile. The authors conclude that the wage effects at the low end of the wage distribution are “very modest”. The paper also notes that the National Minimum Wage (NMW) has played an important role in insulating the wages of low-paid workers from a larger impact.

4.4.3 It is not clear how to interpret these results. Some commentators (Borjas 1994,\textsuperscript{34} Dustmann \textit{et al}, 2007)\textsuperscript{35} have argued that low-skilled migration might reduce wages at the lower end (through substitution and competition) while increasing them at the middle and upper end (through complementarities). It is important to note that over this period (which predated the large expansion of migration from the Accession countries) migrants were on average higher skilled, and higher paid, than natives. Another hypothesis is that migrants increase the overall flexibility and dynamism of the economy and hence the productivity and earnings of natives, at least in certain sectors, but further analysis is required.

4.4.4 Dustmann \textit{et al} (2007)\textsuperscript{36} also note that many new arrivals initially move into lower level occupations than their skills would dictate, increasing competition for jobs at the lower end of the wage distribution. This suggests that the problem is not caused by immigration per se, but by frictions that hinder migrants’ ability to move into jobs that are appropriate to their skills. This is something that policy is addressing through initiatives such as English language training (ESOL), so that language does not represent a barrier to migrants putting their skills to maximum productive use.

4.4.5 Furthermore, the downward impact on real wages amongst lower paid workers is relatively small compared with the large upward trend of earnings growth at the bottom of the distribution over the period. Deflating using the RPI, real wage growth in the 5th, 10th and 50th percentiles was 22%, 15% and 11% respectively, hence lower paid workers experienced real wage increases well above the average. Estimates by BERR show that in the absence of increased immigration over the 1997–2005 period, additional real wage growth at the lower end is likely to have been minimal, ie around 1–2 percentage points higher.

4.4.6 Recent migration from the new Member States provides additional evidence. It has been suggested that since May 2004 A8 migration has reduced wage growth in sectors in which migrants are concentrated. However, this is not supported by the evidence. For example, there have been particular concerns about the construction sector, but wage growth in the construction sector exceeded average wage growth in both 2005 and 2006 (see Table 4.4.1). Of course, it may still be the case that migration reduced wage growth in certain sectors relative to what it would otherwise have been. DWP continues to undertake research in this area.

Table 4.4.1

<table>
<thead>
<tr>
<th>Industry</th>
<th>Growth in basic pay 2004–05 (%)</th>
<th>Growth in overtime 2004–05 (%)</th>
<th>Growth in basic pay 2005–06 (%)</th>
<th>Growth in overtime 2005–06 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, Gas and Water Supply</td>
<td>8.9</td>
<td>1.6</td>
<td>–1.0</td>
<td>14.1</td>
</tr>
<tr>
<td>Real Estate and Business Activity</td>
<td>–1.3</td>
<td>–9.1</td>
<td>3.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Education</td>
<td>3.8</td>
<td>–6.8</td>
<td>3.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.9</td>
<td>–3.8</td>
<td>3.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Agriculture, Hunting and Forestry</td>
<td>3.3</td>
<td>–13.1</td>
<td>3.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Construction</td>
<td>3.0</td>
<td>2.3</td>
<td>4.3</td>
<td>4.2</td>
</tr>
</tbody>
</table>

\textsuperscript{32} In the current system an employer seeking a work permit needs to satisfy the Border and Immigration Agency that they have advertised a job in an appropriate medium and that they had no suitable applicants who were nationals of the European Economic Area. The test is waived by Border and Immigration Agency staff in certain circumstances.


\textsuperscript{36} Dustmann, C, Frattini, T and Preston, I (2007), As before.
4.4.7 Using a similar methodology to that described above for employment, we can use the ASHE data from 2004 to 2006 broken down to the LAD level to perform simple linear correlations comparing wage growth with the concentration of A8 migrants in LADs across the UK, based on Worker Registration Scheme (WRS) data. The chart below shows that there is no discernible statistical relationship between the change in the growth of wages between 2004–05 and 2005–06 and the concentration of A8 migrants across LADs in the UK.

Figure 4.4.1

RELATIONSHIP BETWEEN EARNINGS GROWTH AND THE DENSITY OF A8 MIGRANTS IN UK LADs


5. SECTORS AND OCCUPATIONS

Key Points

— A8 migrants are more concentrated in sectors such as manufacturing and construction, and in the lower-skill occupational groups, than migrants from other countries.
— Whilst the gap is closing, the employment rate for foreign-born workers remains below that for the UK-born. The overall foreign-born employment rate of 68% conceals a large variation in labour market outcomes for those from different groups.

— Full-time workers from developed Western economies and the Middle East earn more than their UK-born counterparts. In contrast, those from the A8 and A2 countries earn noticeably less than UK-born workers.

— Since 2001, average UK-born wage levels have steadily risen, while average foreign-born wages have fallen, causing the weekly wage gap to fall from £76 in 2001 to £28 in 2006. This reflects the tendency for recent migrants to work in lower-paid jobs than those in the past.

— The ability to speak English, along with the length of time in the UK and level of education, is important for migrant workers to achieve better labour market outcomes.

— Upskilling the labour force is essential in a competitive global economy. To the extent that the supply of skilled labour remains deficient, migration is an important complement to these activities.

5.1 Definition of immigration

5.1.1 The analysis below draws heavily on the Labour Force Survey (LFS). It should be noted that the LFS figures on the foreign-born population do not match the UN definition of “long-term international migration”.37 They instead cover the foreign-born household population, irrespective of year of arrival. They do not include certain short-term migrants and those living in communal establishments. One consequence of the latter point is that the number of foreign-born workers in sectors such as construction and agriculture may be under-reported. More broadly, these survey results are inevitably subject to a margin of uncertainty due to sampling variability.

5.2 Why do employers want to hire migrants?

5.2.1 The best source of data in this area is a report commissioned by the Home Office38 which conducted in-depth interviews with employers in order to produce a qualitative survey.

Interviews were conducted in five sectors:

— Construction.
— Administration, Business and Management.
— Finance and Accountancy.
— Hotels and Catering.
— Agriculture and horticulture.
— The interviews were undertaken in East Anglia, London and the North East.

In total, 50 employers were interviewed, each falling into one of three groups:

— Those employing migrant workers through particular schemes.
— Employers of migrant workers outside of these schemes.
— Employers not utilising migrant workers.

5.2.2 The overwhelming majority of employers across sectors and regions started to recruit migrant workers because they could not get applications from domestic workers for low-skilled jobs. In some cases employers noted that a greater proportion of applications were from foreign nationals, possibly because they are more mobile than UK nationals, who may limit their job search to the local labour market.

37 The United Nations recommended definition of a long-term international migrant is: “A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence. From the perspective of the country of departute the person will be a long-term emigrant and from that of the country of arrival the person will be a long-term immigrant.”

5.2.3 Nonetheless, the report also found that, in some areas, employers preferred migrant workers to non-migrant workers for a number of reasons listed below.

Reliability

5.2.4 Native workers sometimes proved unreliable in certain sectors, especially Agriculture and Hotels and Catering, which makes a business difficult to run. Some employers had tried recruiting applicants via a Jobcentre, but found that they sometimes turned up for interviews purely to get a form signed to enable them to receive Jobseekers’ Allowance.

Skills/labour shortages

5.2.5 In Construction, where employers were seeking skilled workers, the recruitment of migrant workers was directly related to skills shortages. Polish workers were generally valued in London, where they were seen as highly-motivated skilled workers who could fill a skills gap.

5.2.6 One employer in the Finance and Accountancy sector said that there was only a very small pool of qualified applicants in the UK. The employer used headhunters who could recruit internationally and took the best-qualified candidate.

5.2.7 In lower-skilled jobs, the issue was, unsurprisingly, a shortage in the supply of labour rather than skills. This supports the notion that migrants are filling jobs that natives will not do rather than competing for the jobs that they will.

Other positive attributes

5.2.8 Only a minority of employers thought there were no particular advantages to using migrant workers, other than that they were available. The majority cited a range of positive attributes. The ones most frequently mentioned were:

— Reliability.

— Willingness to work hard. This was sometimes defined in terms of migrant workers’ productivity and speed. But it was also related to their willingness to work long hours, beyond the normal working day. Several employers also mentioned that migrant workers actively sought overtime to earn extra money.

— General attitude to work. Sometimes employers referred to the work ethic, or said that they were motivated and keen. Less often mentioned, but underlying some of the comments, was the fact that migrant workers were more likely to be satisfied with the minimum wage.

— Some employers also mentioned lower staff turnover.

Other survey evidence

5.2.9 Two other recent surveys confirm that business sees migration as a good thing for the UK economy. A survey conducted by the Institute of Directors (IoD) in December 200639 found that three-quarters of IoD members supported the view that migrant workers made a significant positive contribution to the UK economy. This finding was mirrored in a similar study by the British Chambers of Commerce (BCC), also undertaken in December 2006.40 Both surveys indicate that business focuses on migrants’ skills, higher productivity and better work ethic, rather than lower wage costs. The IoD survey reported that migrant workers significantly outperform the existing workforce in terms of productivity, education and skills, work ethic, reliability and the amount of sick leave. The BCC survey found that less than 6% of employers employed migrant workers because of the potential for lower wage costs.


5.3 In what sectors and occupations are immigrants employed?

5.3.1 Foreign-born workers may be divided between those from the A8 countries and those from other countries. A significant proportion of “other foreign-born” are working in the public administration, education and health (29%), distribution, hotels and restaurants (21%) and banking, finance and insurance (19%) sectors. A8 foreign-born are particularly concentrated in the distribution, hotels and restaurants (24%), manufacturing (21%) and construction (14%) sectors.

Table 5.3.1

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>UK-born</th>
<th>A8 foreign-born</th>
<th>Other foreign-born</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fishing</td>
<td>1%</td>
<td>1%</td>
<td>–</td>
</tr>
<tr>
<td>Energy and water</td>
<td>1%</td>
<td>*</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13%</td>
<td>21%</td>
<td>11%</td>
</tr>
<tr>
<td>Construction</td>
<td>9%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>Distribution, hotels and restaurants</td>
<td>19%</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>7%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Banking, finance and insurance</td>
<td>16%</td>
<td>12%</td>
<td>19%</td>
</tr>
<tr>
<td>Public admin, education and health</td>
<td>29%</td>
<td>11%</td>
<td>29%</td>
</tr>
<tr>
<td>Other services</td>
<td>6%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: A four-quarterly average is used, LFS Q1 to Q4 2006
* Denotes where sample size is too small to report a robust estimate
– less than 0.5%
Totals may not sum due to rounding

5.3.2 A large proportion of the “other foreign-born” (49%) are working in higher skilled occupations, while only around 13% are working in elementary occupations. The majority of A8 foreign-born work in elementary occupations (38%), as process, plant and machine operatives (16%) and in skilled trade occupations (15%).

Table 5.3.2

<table>
<thead>
<tr>
<th>Occupational Group</th>
<th>UK-born</th>
<th>A8 foreign-born</th>
<th>Other foreign-born</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and senior officials</td>
<td>15%</td>
<td>4%</td>
<td>16%</td>
</tr>
<tr>
<td>Professional occupations</td>
<td>13%</td>
<td>5%</td>
<td>18%</td>
</tr>
<tr>
<td>Associate professional and technical</td>
<td>14%</td>
<td>4%</td>
<td>15%</td>
</tr>
<tr>
<td>Administrative and secretarial</td>
<td>12%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>Skilled trades occupations</td>
<td>11%</td>
<td>15%</td>
<td>8%</td>
</tr>
<tr>
<td>Personal service occupations</td>
<td>8%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Sales and customer service occupations</td>
<td>8%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Process, plant and machine operatives</td>
<td>7%</td>
<td>16%</td>
<td>7%</td>
</tr>
<tr>
<td>Elementary occupations</td>
<td>11%</td>
<td>38%</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: A four-quarterly average is used, LFS Q1 to Q4 2006
Totals may not sum due to rounding

5.4 How do immigrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers?

5.4.1 The Labour Force Survey shows that both UK-born and foreign-born employment has risen in the UK over the last ten years. The UK-born employment rate rose until 2001 and has remained at around 75% for the last five years. The overall foreign-born employment rate has improved to reach, 68%, closing the “UK-born/migrant employment rate gap” from 10 percentage points in 1997 to 7 percentage points in 2006 (Figure 5.4.1). The employment rate of the foreign-born has increased as more migrants appear to be coming to the
UK for work-related purposes than in the past. These figures are based on the standard definition of the employment rate (employment as a proportion of the working age population). It is worth noting that employment as a proportion of the total population is higher for the foreign-born than for the UK-born (54% against 48% in the final quarter of 2006), because migrants have a younger age profile.

5.4.2 The current foreign-born employment rate of 68% hides a large variation in labour market outcomes for those from different country groups (Figure 5.4.2).

**Figure 5.4.1**

NATIVE AND FOREIGN-BORN EMPLOYMENT RATES, Q2 1997 TO Q4 2006

![NATIVE AND FOREIGN-BORN EMPLOYMENT RATES, Q2 1997 TO Q4 2006](image)

Source: Labour Force Survey

**Figure 5.4.2**

MALE AND FEMALE EMPLOYMENT RATES BY COUNTRY OR ORIGIN, Q4 2006

![MALE AND FEMALE EMPLOYMENT RATES BY COUNTRY OR ORIGIN, Q4 2006](image)

Source: Labour Force Survey
5.4.3 Foreign-born men compare quite well to UK-born men in employment outcomes, with the exception of those from the Middle East who have an employment rate of 56%, 23 percentage points lower than UK-born men (79%). Further research is needed to understand the reasons for these differences, but one possibility is that different groups have different reasons for coming to the UK.

5.4.4 Foreign-born women fare far worse in comparison to UK-born women. This is particularly true for Pakistani women (who have an employment rate of 23%, 50 percentage points lower than native women) and for Bangladeshi women (who have an employment rate of 19%). This discrepancy could arise for a combination of reasons, such as English language ability, discrimination and cultural differences.

5.4.5 The approximate 50:50 gender split of the foreign-born UK working age population means that low female employment rates in most migrant groups significantly reduce overall employment rates. For example, the employment rate for Pakistani men is 6 percentage points lower than for native men, but the female rate is 50 percentage points lower than for native females, resulting in the overall Pakistani employment rate being 26 percentage points lower than for all natives.

5.4.6 Foreign-born from Romania & Bulgaria (94%), South Africa (85%), Australia and New Zealand (84%), the A8 countries (81%) and EU15 countries (76%) have higher employment rates than UK-born workers (76%).

5.4.7 The employment rate of foreign-born is lower than for UK-born at all levels of education, although the size of the gap falls as the level of education rises (Figure 5.4.3).

Figure 5.4.3

EMPLOYMENT RATES BY LEVEL OF EDUCATION, Q4 2006

Source: Labour Force Survey

5.4.8 The proportion who were economically inactive, in the final quarter of 2006, was 14% of the working age population born in A8 countries and around 20% amongst those born in the UK and other EU countries. The equivalent figure for all overseas-born was 26%.

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42 Comparing levels of education across those from different countries can be problematic, so this result should be treated with caution.
5.4.9 Overall, all foreign-born have a similar self employment rate (15%) to UK natives (13%). Some migrant groups such as those from Romania and Bulgaria (55%), Pakistan (30%) and the Middle East (24%) have above-average proportions of employed workers in self-employment. A8 foreign-born are notable because the proportion in employment that are self-employed has fallen over the last three years from over 21% in the final quarter of 2004 to about 11% in the same quarter of 2006.

5.4.10 Since 2001, average UK-born wage levels have steadily risen while average foreign-born wages have fallen, causing the weekly wage gap to fall from £76 in 2001 to £28 in 2006 (Figure 5.4.6). This apparent fall in wages amongst foreign-born workers is a compositional effect. Historically, foreign-born workers coming to the UK have tended to take-up high-paid jobs. More recently, a greater proportion of migrants have come to the UK to work in low-paid jobs. This is particularly true for those coming from the A8 countries during the last three years (see far right-hand bar in Figure 5.4.7). The growing proportion of foreign-born workers taking low-paid jobs has pulled down the average wage for all foreign-born workers.

Source: Labour Force Survey

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43 Males and females

44 Bulgarian and Romanian nationals who are self-employed have free labour market access. Otherwise they require a work permit.
Figure 5.4.5

PROPORTION OF THOSE IN EMPLOYMENT THAT ARE SELF-EMPLOYED, Q4 2004 TO Q4 2006

Source: Labour Force Survey

Figure 5.4.6

MEAN GROSS WEEKLY WAGE OF FOREIGN-BORN AND UK-BORN, 2001 Q4 TO 2006 Q4 (2007 PRICES)

5.4.11 Figure 5.4.7 looks at wages by region of birth and the data are calculated on a slightly different basis from those presented above. They are calculated only for full time workers and look at the average for all of 2006, rather than just the final quarter. They demonstrate that full-time workers from developed Western economies and the Middle East earn more than their UK-born counterparts. In contrast, those from the A8 and A2 countries earn noticeably less than UK-born workers.

5.4.12 On average, foreign-born workers in full-time employment have higher skill levels than their UK-born counterparts. This is particularly true for those from the countries on the left-hand side of Figure 5.4.7. As a result, foreign-born workers have higher productivity and, on average, are employed in more highly-skilled jobs than the UK-born, and therefore earn higher wages.
5.5 What determines immigrants’ performance and integration in the UK labour market?

Language

5.5.1 Migrants who speak functional English are more likely to find work because they are able to communicate more effectively with employers, use job vacancy facilities and meet employers’ English language requirements.

5.5.2 English language skills can influence wages directly through greater productivity, resulting from an ability to communicate effectively. There may also be an indirect impact because those with stronger language skills are likely to obtain more benefit from their education and previous labour market experience, finding a job that better fits their skill levels.

5.5.3 There are waiting lists for ESOL (English for Speakers of Other Languages) classes. Many migrants do not have time to learn English because they are always working. They often work alongside other migrants and so cannot learn from work colleagues. The Commission on Integration and Cohesion identified a number of employers for whom there was a sound business case for providing free English classes on work premises, or giving staff time off to attend outside classes.

5.5.4 Wheatley-Price and Shields conclude that fluency in English (assessed by an interviewer and not through a formal test) increases the average hourly occupational wage by approximately 20%.

5.5.5 A Canadian study concluded that immigrants who do not usually speak either English or French (the two official Canadian languages) at home have earnings 10% to 12% lower than those who do. This study also found that those with better language skills receive more benefit from an additional year of education (in terms of the wages earned).

5.5.6 Dustmann and van Soest  find that language proficiency increases productivity and hence the market wage.

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45 See http://www.integrationandcohesion.org.uk/
Time

5.5.7 Migrants’ employment outcomes improve over time. Dustmann and Van Soest\textsuperscript{49} found lower employment rates for migrants upon arrival in Germany, but they increased with years of residence, as job search costs decrease over time (due to more information and networks, and greater language fluency).

5.5.8 Turning to the UK evidence, Dustmann et al (2003)\textsuperscript{50} suggest that the labour market performance of the foreign-born relative to the UK-born changes with length of residence. The foreign-born may acquire additional skills, specific to the UK-economy, or tailor their existing skills to the UK labour market. Information acquired about the UK labour market after arrival will also make it easier to find work as time passes. The authors find that:

“... employment and participation probabilities of minority immigrants are initially substantially lower than those of UK-born whites, but there is adaptation. We estimate that after about 20 years of residence, participation and employment probabilities are similar to those of UK-born whites”.

However, the employment and participation probabilities for white migrants relative to British-born whites are not found to significantly vary over time.

Education and qualifications

5.5.9 Bell\textsuperscript{51} finds that the number of years of schooling has a greater positive impact on wages than the number of years of UK work experience.

5.5.10 Battu and Sloane\textsuperscript{52} also find that foreign qualifications receive lower returns in the UK than domestic ones.

Work experience

5.5.11 Bell\textsuperscript{53} finds that immigrant wage rates are positively related to experience, but foreign experience is worth significantly less than UK experience. Amongst the groups in the study, ‘Black with significant foreign experience’ experiences the greatest wage disadvantage, although this disadvantage reduces over time in the UK.

5.5.12 In Canada, Schaafsma & Sweetman\textsuperscript{54} found that foreign experience appeared to yield virtually no return in terms of wages.

Ethnicity (country of origin)

5.5.13 This sub-section draws on evidence from Dustmann et al (2003),\textsuperscript{55} who compare white UK-born individuals with immigrants of the same age, education and geographical distribution.

5.5.14 The study found that white immigrants have similar employment probabilities to white non-migrants, but minority immigrants have, on average, poorer employment prospects than these groups, with Pakistanis and Bangladeshis immigrants exhibiting some of the lowest employment rates amongst the groups studied. This applied for both men and women.

5.5.15 Pakistanis and Bangladeshis are among those with the lowest participation rates. They also found that individuals from most white immigrant communities have, on average, higher wages than UK-born whites with the same characteristics. This is in contrast to immigrants from ethnic minority communities who tended to have lower wages than UK-born white workers.

5.5.16 After about 20 years of residence, participation probabilities for male ethnic minority immigrants are approximately the same as for UK-born whites. For ethnic minority female immigrants, however, participation is still 10 percentage points lower than UK-born whites after 40 years of residence.

\textsuperscript{49}Dustmann, C and van Soest, A (2003) as before.


\textsuperscript{53}Bell, B D (1997) As above.


5.5.17 Evidence on wage convergence was less clear due to the limited number of observations. For all groups of immigrants in the study, the authors find no real trend in wage profiles, except for Irish and European immigrants, who have wages that are initially higher than those of UK-born individuals, but the difference diminishes with time of residence.

5.6 Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why?

Survey evidence

5.6.1 Almost all employers in Agriculture said that migrant workers were crucial to their business. Several went so far as to say that the business would not survive without migrant workers.

5.6.2 In the Construction sector, views were more varied. Some said that migrant labour was not important to them, while others said it was crucial.

5.6.3 In the Hotels and Catering sector in London, several employers reported that migrant workers were crucial to the business. In the North East, some Hotels and Catering employers agreed that migrant workers were very important to the business. However, there was less sense than in London that business depended on migrants. In East Anglia, several employers said that migrant workers were very important because they simply could not fill staff requirements without them. Some respondents in the North East and East Anglia noted that migrant workers in Hotels and Catering were an asset by bringing a mix of cultures and a positive attitude in a sector that strives to be international.

Work permit approvals

5.6.4 Employers can use the Work Permits system to fill vacancies that cannot be filled from the existing EU labour market. The table below shows how demand for work permits has varied over time between the sectors of highest demand.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Medical Services</td>
<td>45,873</td>
<td>46,608</td>
<td>38,366</td>
</tr>
<tr>
<td>Computer Services</td>
<td>18,630</td>
<td>21,644</td>
<td>22,978</td>
</tr>
<tr>
<td>Hospitality and Catering</td>
<td>21,279</td>
<td>16,551</td>
<td>12,152</td>
</tr>
<tr>
<td>Admin, Bus and Man Services</td>
<td>14,662</td>
<td>15,163</td>
<td>15,120</td>
</tr>
<tr>
<td>Education and Cult Act</td>
<td>11,570</td>
<td>10,771</td>
<td>10,777</td>
</tr>
<tr>
<td>Financial Services</td>
<td>6,453</td>
<td>7,749</td>
<td>9,277</td>
</tr>
</tbody>
</table>

Source: Home Office

Table 5.6.2

MAIN OCCUPATIONS FOR A8 MIGRANTS,
JULY 2004 TO JUNE 2007

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process operative (other factory workers)</td>
<td>163,150</td>
</tr>
<tr>
<td>Packer</td>
<td>37,380</td>
</tr>
<tr>
<td>Kitchen and catering assistants</td>
<td>36,525</td>
</tr>
<tr>
<td>Warehouse operatives</td>
<td>47,230</td>
</tr>
<tr>
<td>Cleaner, domestic Staff</td>
<td>33,515</td>
</tr>
<tr>
<td>Farm worker/farm hand</td>
<td>27,135</td>
</tr>
<tr>
<td>Waiter/waitress</td>
<td>22,905</td>
</tr>
</tbody>
</table>

56 These findings are also from Dench, J, Hurstfield, S, Hill, D and Akroyd, K (2006). Employers’ use of migrant labour, Main report, Home Office Online Report 04/06.
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THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maid/room attendants (hotel)</td>
<td>21,500</td>
</tr>
<tr>
<td>Care assistants and home carers</td>
<td>17,845</td>
</tr>
<tr>
<td>Labourer, building</td>
<td>17,750</td>
</tr>
<tr>
<td>Other/not-stated</td>
<td>192,630</td>
</tr>
</tbody>
</table>

Source: Worker Registration Scheme

EU accession

5.6.5 Since May 2004, significant numbers of migrants from the eight new EU members in Central and Eastern Europe (A8) have registered under the Worker Registration Scheme (over 600,000 workers were registered for the period up to June 2007). These workers are principally working in lower paid jobs, and this may account for some reduction in the number of work permits approved in sectors such as hospitality.

Labour Force Survey Evidence

5.6.6 The analysis above draws on different data sources to build up a picture of the parts of the economy which are most dependent on migrant labour. An overall picture is perhaps best provided by data from the LFS (see Table 5.6.7).

Table 5.6.7

<table>
<thead>
<tr>
<th>COUNTRY OF ORIGIN OF WORKERS IN EACH INDUSTRIAL SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Sector</td>
</tr>
<tr>
<td>Agriculture and fishing</td>
</tr>
<tr>
<td>Energy and water</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Distribution, hotels and restaurants</td>
</tr>
<tr>
<td>Transport and communication</td>
</tr>
<tr>
<td>Banking, finance and insurance etc</td>
</tr>
<tr>
<td>Public admin, education and health</td>
</tr>
<tr>
<td>Other services</td>
</tr>
</tbody>
</table>

Source: A four-quarterly average is used, LFS Q1 to Q4 2006
Less than 0.5%

5.6.7 Overall, the “other foreign-born” account for around 10% of those employed in each industrial sector in the UK, although lower proportions are recorded for agriculture & fishing and construction. As discussed in paragraph 5.1.1, this could reflect the fact that the data do not capture short-term migrants and those living in communal establishments.

5.6.8 Construction and manufacturing have the greatest reliance on workers born in the A8 countries, but even here they account for less than 2% of the total employed. Distribution, hotels & restaurants and transport & communication have a relatively strong reliance on non-A8 foreign-born workers. Whilst there are relatively few A8-born workers in banking, finance & insurance and public administration, education & health, these sectors do rely on foreign-born workers from other countries.

5.7 What is the impact of immigration on mechanisation and investment in technical change?

5.7.1 Productivity depends on the amount of labour and capital available and the efficiency with which they are combined. Migration may have an impact on both the supply of capital, and the technical progress of the economy.
5.7.2 Immigrants will increase both the overall population and the workforce. As the population increases, it will increase the demand for goods and services. This may feed through into demand for both capital and labour as companies seek to increase production. As the workforce increases it could increase the returns to capital as there are more workers for each unit of capital. It is therefore possible to argue that investment will increase in the face of an increase in the labour supply due to migration.\textsuperscript{57} Previous periods of migration have tended to coincide with periods of rapid capital accumulation. However, there is very little evidence in this area and much of it is anecdotal.

5.7.3 From the information that we have on wages, it would be expected that any increase in capital would be slightly higher in sectors employing staff at the higher end of the distribution.

5.7.4 An increase in the number of migrants could increase the technical progress of the economy. They could do this directly, through having different knowledge to native workers. Alternatively, they might be more capable of innovative work in research and development. These arguments are explored in more detail in Section 3.4 of this report.

5.8 What are the alternatives to immigration to reduce labour shortages?

5.8.1 Economic theory provides a range of options, not all of which are practical.

5.8.2 Education and training of native workers is one option for reducing skills shortages. Whilst labour force participation is already high in the UK by international standards, raising the labour force participation rate and the skills of the native population remains a government priority and will continue to support the supply of skilled labour. For example, in July 2007 the Department for Work and Pensions (DWP) published a Green Paper\textsuperscript{58} setting out a series of measures designed to meet the long-term objectives of an employment rate of 80\% and the eradication of child poverty. A key element of this is a new jobs pledge which aims for major employers to offer a quarter of a million job opportunities to people at a disadvantage in the labour market. The Green Paper also sets out the following proposals to be introduced following consultation and as resources allow:

— Helping lone parents out of poverty through employment. This means matching increased support with additional responsibility to look for work, starting with lone parents whose youngest child reaches age 12 and subsequently reducing this age to 7.

— Building on the success of the New Deal with a more flexible, responsive and personally tailored programme for job seekers, including fast-tracked support for those who have previously struggled to find a stable pattern of work.

— Better integration of employment and skills services, responding to the challenges set by the Leitch report on skills.\textsuperscript{59}

— Strengthening Jobcentre Plus’ role at the heart of the system of help and support, particularly early in a benefit claim.

— Making better use of specialist support for more disadvantaged customers, at an appropriate point in their benefit claim, through contracted provision with public, private or third sector bodies.

— Improving value for money through specialist support. This should focus on achieving results for customers and have greater flexibility, building on the work done by the Freud review.\textsuperscript{60}

The Government is consulting on these proposals and wants to build a consensus in support of full employment as a key aim of government policy.

5.8.3 These measures go alongside others announced in the 2006 Green Paper “A New Deal for Welfare: Empowering People to Work”,\textsuperscript{61} where a particular focus was on providing extra support to people with health conditions and disabilities.

5.8.4 Upskilling the labour force is essential in a competitive global economy. To the extent that the supply of skilled labour remains deficient, migration is an important complement to these activities. The increased focus on joined up skills/employment in the UK should boost the skills of disadvantaged workers, while we


\textsuperscript{61} Available at http://www.official-documents.gov.uk/document/ cm67/6730/6730.pdf
will ensure that the work of the Migration Advisory Committee (MAC), which will advise Government on where in the economy migration can fill labour shortages, will complement that of the Commission for Employment and Skills. The latter body will be represented on the MAC.

5.8.5 The Government is also targeting improvements in the skills of the population at all levels. *World-Class Skills,* published in July 2007, set out the Government’s response to the Leitch Review of Skills. It presented the Government’s new ambition for a world-class skills base by 2020 and a series of underpinning reforms in England to allow for progress against this ambition, including:

- Doubling the Train to Gain service by 2011 to increase support for the training of low-skilled individuals in the workplace.
- Introducing new Skills Accounts to give individuals greater ownership and choice over their learning.
- Creating a universal adult careers service to ensure everyone is able to access the help they need to develop their skills and progress in the labour market.
- Better integration of employment and skills services, including a new objective of sustainable employment and progression for DWP and the Department for Innovation, Universities and Skills (DIUS).

5.8.6 Another alternative to immigration is to raise fertility rates. The impact of government policy in this area is likely to be limited. An OECD paper reviewed the evidence on the impact of various policies on fertility rates across OECD countries. The paper drew the following generalised conclusions:

- Family benefits: likely to have a small positive impact on fertility rates.
- Tax policies: the OECD report refers to evidence from the US and Canada, which suggests that such policies have a positive impact on fertility.
- Family friendly policies: the availability of part-time and flexi-time working tends to have a positive effect on fertility rates. The evidence on maternity leave is more mixed, however, with some studies finding a weak positive impact and others finding little discernable effect.
- Availability of child care: this tends to have a positive impact, although the impact is weak in some countries.

So, whilst there is some suggestion that governments may be able to have at least some effect on fertility rates, it is worth noting that this is a long-term solution. It would be a long time before the labour market felt any benefit.

5.8.7 If Britain imported more labour intensive products instead of producing them at home this could decrease the reliance on unskilled labour and therefore unskilled migration. However, Britain already imports most labour-intensive products, so the scope for further substitution of domestically-produced goods with imports is likely to be limited. Moreover, much unskilled migration is in the service sector, where work must be done close to its point of sale (eg a haircut).

5.8.8 Off-shoring the production of goods and services that require large amounts of migrant labour would reduce demand for migrants within the UK. However, as above, many service sector roles cannot be off-shored.

5.8.9 The labour market could be left to find a “without migration equilibrium”. The benefits of migration are very similar to the gains to trade. If we allowed the economy to find a “without migration equilibrium” we would expect people to be moved away from their area of expertise. Sectors that currently rely on migrants would need to increase wages in order to attract UK workers to fill vacancies. This would reduce the competitiveness of the UK economy. It could also lead to reduced output as certain industries contract.

5.8.10 In reality, in a dynamic and flexible economy, there will always be skill shortages in certain sectors at any point in time, and some of these will always be most efficiently filled by migration. In the absence of migration, the economy would still function at some equilibrium point, but the result would be a reduction in overall flexibility, and ultimately lower productivity and output growth.

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6. Economic Effects of Demographic Impacts

Key Points

— The key demographic challenge for the UK in the years ahead will be population ageing. The proportion of the population aged over 65 is expected to rise from 16% in 2007 to 26% by 2056.
— Assuming long-term net migration to the UK of 145,000 per annum, the dependency ratio will rise from 61% in 2007 to 74% by 2056. This indicates that there will be fewer people of working age to support the young and old, and therefore greater pressure on the public finances.
— With zero net migration, the situation would be considerably worse: the dependency ratio would rise to 82% by 2056.
— In the long term, migrants themselves will age and contribute to the increasing dependency ratio, but only assuming that they remain in the UK during retirement.

6.1 What is the economic impact of a net change in the UK population?

6.1.1 The impact of immigration on the public finances is discussed in Section 2 and the macroeconomic impact of immigration is discussed in Section 3.

6.2 If there is a net increase, does the impact differ when this comes from higher immigration rather than from changes in birth and death rates?

6.2.1 Based on the Government Actuary’s Department 2004-based projections, the overall population of the UK is expected to continue to grow, driven by positive natural change (more births than deaths) and net in-migration. However, the key demographic challenge for the UK in the years ahead will be population ageing. The proportion of the population that is aged over 65 is expected to rise from 16% in 2007 to 21% in 2027, and then to 26% in 50 years’ time, due to continued increases in life expectancy and the ageing of the post-WW2 baby boomers.

6.2.2 Population ageing will place increased pressure on the public finances as state pension and healthcare expenditure rises, with no corresponding increase in tax revenues. A simple measure of how the likely degree of pressure on the public finances will change over time is provided by the dependency ratio. This calculates the ratio of dependents (children and those of state pension age) to those of working age. Under the Government Actuary’s Department principal population projections, this dependency ratio will rise from 61% in 2007 to 63% in 2027, and then to 74% by 2056. These figures assume positive long-term net migration to the UK of 145,000 per annum. It must be stressed that these, along with all the other assumptions about future migration in this section, are stylised assumptions based on past trends and not forecasts.

6.2.3 If it is instead assumed that there is zero net migration, the dependency ratio would be slightly higher at 66% in 2027, but would rise to 82% by 2056. This is because migrants into the UK are predominantly adults of young working age. In fact, by the mid 2030s, it is estimated that the “natural” change in population (resulting from births and deaths) will be negative, leaving the UK entirely reliant on net migration for population growth.

6.2.4 These calculations are based on the 2004-based population projections. A new, 2006-based projection set is currently being prepared and the assumptions for this have just been published. The long-term migration assumption has been increased to 190,000 per annum, and the fertility assumption has also increased in response to several years’ of rises in births within the UK. In addition, the published dependency ratios from the new projections will take account of the Pensions Bill 2007, which has recently become law. This will raise the state pension age, in three stages, to 68 for both sexes by 2046. However, since work on the new projections is not complete, the current submission is based on the 2004-based projections. The reasons behind the increase in the separate ONS statistical submission.


66 The figure for 2007 is based on current state pension age (SPA) of 65 for men and 60 for women and the figures for 2027 and 2056 are based on common SPA of 65 for both sexes. Under the provisions of the Pensions Bill 2007, SPA will be 66 for both sexes by 2027, and 68 for both sexes by 2056. This would decrease the dependency ratios at 2027 and 2056 to 60% and 64% respectively.

6.2.5 As part of their 2004-based work, GAD also produced a range of other variant scenarios using different combinations of assumptions about fertility, life expectancy and net migration, which can be compared to see how each affects the resulting dependency ratios. These assumptions, along with those dependency ratios, are shown in the table below:

Table 6.2.1

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Dependency Ratio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Long-Term Net Migration (000s pa)</td>
</tr>
<tr>
<td>Principal Scenario</td>
<td>Principal</td>
</tr>
<tr>
<td>Zero Migration</td>
<td>Principal</td>
</tr>
<tr>
<td>High Medium-Term Dependency</td>
<td>High</td>
</tr>
<tr>
<td>Low Medium-Term Dependency</td>
<td>Low</td>
</tr>
<tr>
<td>Young</td>
<td>High</td>
</tr>
<tr>
<td>Low Migration</td>
<td>Principal</td>
</tr>
<tr>
<td>High Migration</td>
<td>Principal</td>
</tr>
<tr>
<td>High Fertility</td>
<td>High</td>
</tr>
<tr>
<td>High Population</td>
<td>High</td>
</tr>
</tbody>
</table>

6.2.6 In the table, fertility, migration and life expectancy assumptions are either the central estimate, as used in the Principal scenario, or GAD’s high or low variant assumptions. In addition, a zero net migration projection was produced, assuming no migration and principal fertility and life expectancy assumptions. The dependency ratios resulting from each combination of assumptions are shown on the right-hand side. If a ratio is lower than under the Principal scenario in a given year it is shown in blue. If it is higher, it is shown in red.

6.2.7 A higher dependency ratio indicates that there will be relatively fewer people of working age to support children and old-age dependents within the economy. Higher dependency ratios are therefore associated with a greater degree of pressure on the public finances and, all else being equal, to a greater burden of taxation on the working age population.

6.2.8 Varying the assumptions in the way described makes it possible to look at how projected dependency ratios change over time when population growth comes from different sources. For example, the “High Medium-Term Dependency” scenario considers a case where fertility and life expectancy are higher than in the Principal scenario, but migration is lower. This increases the number of children and older people in the population, causing the dependency ratio to rise to 76% by 2044 (the last year for this set of projections), compared to 70% in the Principal scenario. The total population is around 2 million higher by this time.

6.2.9 The opposite case is considered in the “Low Medium-Term Dependency” scenario, which assumes that migration is higher than in the Principal scenario, but that fertility and life expectancy are lower. Under these assumptions, the dependency ratio is 63% by 2044, up only slightly from 61% in 2007. At just under 67 million, total population is about 2 million lower than in the Principal scenario.

6.2.10 In the very long term, the “Young” scenario results in the lowest possible dependency ratio, although the pessimistic assumptions about life expectancy may not be regarded as desirable.

6.2.11 The Low Migration and High Migration scenarios demonstrate the effects of varying the migration assumption whilst holding fertility and life expectancy at their central levels. In both cases, the resulting dependency ratio is little different to that produced by the Principal scenario. Combining higher fertility rates with central life expectancy and migration has a slightly bigger impact on dependency ratios in the long term.

6.2.12 Unsurprisingly, the highest total population is achieved by setting all three assumptions to their higher levels. However, this does not provide a solution to the challenges of population ageing: the resulting dependency ratios are higher than under the Principal scenario.

6.2.13 On balance, the scenarios provide a useful illustration of how the dependency ratio, and therefore the likely degree of pressure on the public finances, changes when different assumptions are made about the source of population growth. Although the levels of the dependency ratio are sensitive to the assumptions made, and will change when the results of the 2006-based projections are known and can be compared in the same way, the comparison between the different variant scenarios is still valid.

68 For fertility assumptions, see http://www.gad.gov.uk/Population/2004/methodology/varfertass.htm

For mortality assumptions, see http://www.gad.gov.uk/Population/2004/methodology/varmortass.htm
6.2.14 There is a great deal of uncertainty associated with these projections, particularly over such a long time horizon. Nonetheless, it is possible to assert that:

— Under central assumptions about fertility and life expectancy, the long-term effects of population ageing on the UK public finances would be significantly worse without any net in-migration.

— But increasing GAD’s central projection for long-term net migration by 60,000 per annum or reducing it by the same amount only has a small impact on the dependency ratio.

— In the medium term, the most effective means of limiting the expected increase in the dependency ratio from population ageing would be a combination of higher migration and lower fertility and life expectancy than in the Principal scenario. However in the long term, migrants themselves will age and ultimately contribute to the increasing dependency ratio. Thus increased fertility would also be required to achieve the lowest possible dependency ratio. This analysis assumes that immigrants remain in the UK for their period of retirement. Some migrants may return to their home country before reaching retirement age, in which case they will not increase the dependency ratio.

6.2.15 In reality, it is questionable whether it would be possible to deliberately engineer these kinds of demographic changes. As discussed in paragraph 5.8.6, international evidence suggests that many policies designed to influence fertility rates have a relatively, modest effect.

6.2.16 It may be easier to address the problems of population ageing through policies to influence participation rates and the effective age of retirement. Shaw (2001) highlights the difficulties in influencing migration flows, which typically depend on a combination of socio-economic and political circumstances in receiving and sending countries, and concludes that “measures such as raising workforce participation rates or discouraging early retirement are likely to remain a more practical tool for increasing the working population than attempting to influence demographic behaviour”.

7. THE ECONOMIC IMPACT OF ILLEGAL MIGRATION

Key Points

— Analysis of illegal immigration is hampered by an intrinsic lack of information since illegal migrants wish to remain unobservable to the State.

— Illegal immigrants live without the protection of the State.

— Companies employing illegal workers could have an unfair competitive advantage.

7.1 Background

7.1.1 Analysis of illegal immigration is hampered by a lack of information. This is intrinsic to the issue: illegal migrants wish to keep themselves unobservable to the State. Nonetheless, we can make best estimates using the information that we do have.

7.1.2 The “unauthorised” or “illegally resident” migrant population in the UK is made up of quite distinct categories. Broadly, these cover anyone who does not have valid leave to remain in the UK and will include:

— Illegal entrants (including clandestine entrants and those using deception on entry by presenting false documents or misleading immigration officials).

— Overstayers (those who have not left the UK after valid leave to remain has expired).

— Failed asylum seekers who do not comply with instructions to leave the UK, who are not appealing or who have exhausted their rights of appeal (including those who abscond during the process).

69 Whilst we can draw this conclusion about the overall dependency ratio, and therefore the likely impact on public finances overall, it is not theoretically correct to say that because migrants age too, they cannot help to pay for pensions in the long run. This is explored in detail in Munz, S and Werding, M (2003) Public pensions and international migration: some clarifications and illustrative results, IFO Institute for Economic Research and CESifo, available from http://ideas.repec.org/a/cup/jpenef/v4y2005i02p181-207.00.html

70 Whilst migrants returning to home countries would not contribute to the UK dependency ratio (which is based on the UK population), it should be noted that some may still be eligible to receive a UK state pension. This would be the case if they had made sufficient National Insurance contributions whilst working on the UK. Nonetheless, they are still likely to cost the UK exchequer less than a retired immigrant resident in the UK as non-residents will make less use of other public services.

7.1.3 No government has been able to produce an accurate figure for the number of people who are in the country illegally. However, a number of different studies have attempted to estimate the size of the unauthorised migrant population. These include:


7.2 The economic importance of illegal immigration

7.2.1 Work on the economic importance of illegal immigration is underdeveloped, although there have been some studies which relate to the UK. For example:

- Black, R, Collyer, M, Skeldon, R, and Waddington, C (2005) *A survey of the illegally resident population in detention in the UK*, Home Office Online Report 20/05; and

7.3 The costs of illegal immigration

7.3.1 Illegal immigrants live without the protection of the State and are therefore vulnerable to exploitation. Since, by definition, they are working illegally, their employers are perhaps more likely to break the law and deny them the National Minimum Wage and other worker protections, such as health and safety provisions and the working hours directive. They may also have low job security, no bargaining rights, and be unable to get an employer’s reference.

7.3.2 HM Treasury (2000)\(^2\) argue that companies employing illegal workers could have an unfair competitive advantage, which may force competitors to resort to illegal employment as well, or move parts of their production to countries where labour is cheaper.

7.3.3 It is hard to measure the effects of illegal migrants on regular workers as they make themselves as unobservable as possible. Moreover, they often perform work that is dirty, dangerous and difficult. These jobs are likely to be the least favoured amongst legal residents.

8. How can data on immigration be improved?

Section 5 of the ONS submission to the House of Lords Select Committee provides details of the recommendations made by the Inter-Departmental Task Force on International Migration Statistics (December 2006). This Task Force made recommendations on how improvements could be made to estimates of migration and migrant populations in the United Kingdom, both nationally and at a local level. The ONS submission also provides details on the improvements that have already been put in place, work in progress and plans for further improvements over a two to five year period.


Key Points

- The Government’s new Points Based System (PBS) is a five Tier framework covering the main routes through which people coming to work, study or train will enter the UK.
- The PBS provides a points-based approach to determining which migrants will be successful with their applications. The inclusion of sponsors will help ensure that the system is not abused.
- The PBS will be supported by open and objective policy-making, reflecting the UK’s migration needs.

\(^2\) HM Treasury (March 2000) *The Informal Economy: A report by Lord Grabiner QC.*
9.1 How will the points system for immigrants from outside the EU operate?

9.1.1 Central to the design for the new system is a five Tier framework covering the main routes through which people coming to work, study or train will enter the UK; a points-based approach to determining which migrants will be successful with their applications; and the inclusion of sponsors to help ensure that the system is not being abused.

9.1.2 The five Tiers of the Points-Based System will replace the existing 80 different routes by which a non-EEA national can come to the UK to work, study, or train. This will help people understand how the system works and direct applicants to the category that is most appropriate for them:

— Tier 1: Highly skilled individuals to contribute to growth and productivity.
— Tier 2 Skilled workers with a job offer to fill gaps in the UK labour force.
— Tier 3: Limited numbers of low-skilled workers needed to fill specific temporary labour shortages.
— Tier 4: Students.
— Tier 5: Youth Mobility and temporary workers: people allowed into the UK for a limited period of time to satisfy primarily non-economic objectives.

9.1.3 For each Tier, applicants will need sufficient points to gain entry clearance or leave to remain in the UK. Points will be awarded according to objective and transparent criteria. In all tiers points will be awarded for control factors which indicate whether the applicant is likely to comply with their immigration requirements in the UK. In Tiers 1 and 2, points will also be awarded for attributes such as age, previous salary or prospective salary and qualifications. Prospective migrants will be able to assess themselves against these criteria, and see whether they are likely to have enough points to qualify before paying an application fee.

9.1.4 All applicants in Tiers 2–5 will need to provide a certificate of sponsorship from an approved sponsor when making their application. The certificate will act as an assurance that the migrant is able to do a particular job or course of study. Sponsors will need to be licensed by the Border and Immigration Agency, after which they will be placed on the sponsor register. The Border and Immigration Agency will review sponsors’ behaviour and compliance with the rules and take appropriate action where there is evidence of transgression.

9.2 How will the Government decide where there are skills shortages in the economy as the basis for its points system?

9.2.1 The Government is establishing a new Migration Advisory Committee (MAC) which will provide evidence-based advice to Government on where migration might sensibly fill labour shortages in the economy. In particular it will advise on:

— What the shortage occupations should be under Tier 2 of the Points Based System (skilled workers). Migrants coming in to take jobs in shortage occupations will not need to meet the points criteria, nor will the jobs need to be advertised to the resident labour market, as is normally the case under Tier 2.
— What, if any, schemes should be established under Tier 3 of the Points Based System for low-skilled workers. Tier 3 schemes can only be set up once restrictions on employment rights of Romanian and Bulgarian nationals have been lifted.
— Other migration-related questions as Government may put to it from time to time.
9.2.2 David Metcalf\textsuperscript{73} has been appointed Chair and we are in the process of appointing the MAC’s membership, which will comprise experts on the labour market. The MAC will be established in Autumn 2007 and will be fully operational by April 2008.

9.2.3 The MAC will be accompanied by the Migration Impacts Forum (MIF). This will provide a forum for proper, regular and organised dialogue with interested parties outside of central Government, focussed on the wider impacts associated with migration experienced by local areas. The Forum will meet quarterly and be chaired jointly by a Home Office and a Communities and Local Government Minister.

9.3 How will the Government respond to employers asking for non-EU workers to fill low-skilled jobs?

9.3.1 Low-skilled migration requirements are currently met through two schemes. These are the Seasonal Agricultural Workers Scheme (SAWS) and the Sector Based Scheme (SBS). In 2007, 100% of the SBS and 40% of the SAWS has been drawn from Romania and Bulgaria only. As of 2008, 100% of both schemes will be restricted to Romania and Bulgaria.

9.3.2 These restrictions reflect the Government’s policy to phase out low-skilled migration schemes for non-EU nationals unless evidence of significant labour shortages is identified in specific sectors. There is currently believed to be sufficient low-skilled labour in the UK and EU to meet the requirements of the UK economy.

9.3.3 These restrictions are also in keeping with the EU Accession Treaties, which require the UK to give preference to EU workers over non-EU workers. So, as Bulgarians and Romanians are subject to quotas, there will not be a scheme for migrants from non-EU countries to do those low skilled jobs.

9.3.4 Nevertheless, it is an important principle of the Points Based System that we maintain the flexibility to be responsive to the changing needs of the UK labour market. Therefore, if, following consultation with employers and industry stakeholders, the Migration Advisory Committee advise that there is a low-skilled labour market shortage that can sensibly be filled by migration and once restrictions on Romanian and Bulgarian access to the labour market have been lifted, then it will be possible to set up a low-skilled scheme under Tier 3 of the Points Based System. However, we have no current plans to introduce Tier 3.

\textit{October 2007}

\section*{Examination of Witnesses}

\textbf{Witnesses: Mr Liam Byrne, a Member of the House of Commons, Minister of State for Borders and Control, Home Office, Mr John Elliott, Chief Economist, Home Office, and Mr Jonathan Portes, Chief Economist, Department for Work and Pensions, examined.}

\begin{quote}
\textbf{Q510 Chairman:} Welcome, Minister and gentlemen. Thank you for your time. I would like to thank both sets of witnesses today for the written evidence that they have sent in. Could I ask you just to speak, if possible, fairly slowly and clearly for the benefit of the stenographer and indeed for the Members. I think this session is being televised so it might be useful, Minister, if you could just introduce yourself and your colleagues and then if there are any introductory remarks that you wish to add, you can do that or we can go straight into questions.

\textit{Mr Byrne:} My Lord Chairman, I just wanted to start by saying how grateful I am that the Committee is looking at this question. The question in front of you is a question that is generating a debate across the West at the moment. We saw it writ large in the French elections last year, we are seeing it writ large in many of the primaries in the American presidential race at the moment and we see it in our own debate every day. I am particularly grateful for the timing of this because in about 80 days’ time we introduce the points system in the UK and it is obviously crucial that we understand the right mix of economic migration that maximises the UK’s national interest. So this is an extremely important Committee report that we are looking forward to. On my left is Jonathan Portes who is the Chief Economist at the Department for Work and Pensions, and on my right is John Elliott who is the Chief Economist at the Home Office.

\textbf{Q511 Chairman:} Thank you. Could you tell us why the Government has chosen to focus on the overall gross domestic product when assessing the economic impact of immigration, rather than the GDP per capita or the income per head of the preexisting population? Would you agree that a focus on GDP per capita or the income per head of the preexisting population is more appropriate than the GDP per capita?

\textit{Mr Byrne:} I do not think we did just focus on the contribution of migration towards GDP. We did try to look at the contribution of migration to GDP per capita as well. We tried to put about a page into the

\textsuperscript{73} Professor of Industrial Relations at the London School of Economics. For further information see http://press.homeoffice.gov.uk/pressreleases/new-chair-migration
evidence that we submitted. As the Committee will know, understanding the impact of migration on GDP per capita is a little bit harder. Perhaps I can elaborate with three quick points before my colleagues might want to chip in. The theory is actually fairly straightforward. In a wider labour market it should be easier for employers to find a better match for the kinds of labour that they are seeking and, on the other hand, that kind of specialisation which becomes possible should in theory allow native workers to play to their strengths too. That should create a positive contribution towards productivity growth and we know that that in turn is good for British wages. We think there is a pretty close relationship between productivity growth and wage growth; in fact, it is probably a one-to-one relationship. Let me give you one point of evidence and one study which I think may be helpful. The point of evidence is, if you look at the wages of foreign-born nationals in the UK, which is the definition which we prefer because we think it is probably the best indicator of whether somebody is a migrant or not, a foreign-born national in the UK will earn on average about £424 a week in the final quarter of 2006. That compares to about £395 for a UK born person. So the wages are higher. Also, if you are looking at GDP per capita you should be looking at the fraction of foreign-born workers to their total population and if we look at that figure, it tells us that the employment rate of the foreign-born is higher too. So with higher employment rates and higher wages the averaging effect should be a positive contribution to UK native wages. The study which I think is useful here is the study by Dustmann, Preston and Frattini which was undertaken for the Low Pay Commission. It is only one study, but what that study did conclude is that a 1% cent increase in migrants as a share of the working age population should produce a 0.4% increase in average native wages. One of the key studies that exist points to a positive relationship between migration and GDP per capita. In the long run there will be more important effects, particularly from spillovers. Do you want to talk about the longer run spillover effects?

**Mr Elliott:** I agree with the points you made about the short run averaging, but in the longer run we will expect more dynamic effects to come into play. We can think of migrants contributing to the productivity of native workers directly through spillover effects. One might imagine a migrant surgeon standing next to a domestic surgeon and them learning from each other. Secondly, there will be indirect effects because some migrant workers will allow domestic workers to do what they do best. For example, to use a common current example, if we have more plumbers then the chief executives, surgeons, judges, et cetera, do not need to be at home sorting out their plumbing, that can be done for them as those vacancies are filled.

**Q512 Lord Lamont of Lerwick:** Is what you are saying that the larger the labour market the more optimal the outcome? Is that in effect what your first point meant?

**Mr Byrne:** No. Growth will come from a couple of different sources. Obviously a bigger labour market will contribute to growth, but it may not necessarily contribute to GDP per capita. That is why what we have to do when the points system is introduced is make sure that the mix of migrants coming into the UK is economically beneficial. What I am offering is a calculation based on one of the key studies that has been conducted. It concluded there is a positive relationship of about 0.15% growth, that is a 0.15% increase in GDP per capita. What I thought would be helpful for the Committee is to try and put that in context and entrust it to other Government interventions. If you look at the contribution, for example, of skills of UK workers to GDP per capita, the Treasury said in 2006 that in the five years to 2000 the impact of improved skills was around 0.37% improvement to GDP per capita. The Dustmann study implied that the contribution of migration to GDP per capita was 0.15%. That gives you a sense of how migration is an important contributory factor.

**Mr Portes:** That is absolutely right. The Dustmann figures that you referred to are an average over the 10 years. Over the 10 years to 2007, the share of migrants in the working age population increased by a little over 5%. Using the estimates in the Dustmann paper, that would imply an increase of close to 1.5% of GDP per capita of natives. That is over and above the extra GDP per capita that comes from the fact that the migrants themselves are paid better and more likely to be in work, which is the first effect. The second effect, which is this indirect spillover effect, increases the GDP per capita of natives on average over that period—to take the crude estimates from the paper—by 0.15% per year. That is not as large as the impact of upskilling the native population, but it is a pretty significant factor in overall productivity growth and it is certainly not one that we would regard as trivial or negligible.

**Mr Byrne:** It is probably worth about £300 in GDP per capita growth over the decade.

**Q513 Lord Lawson of Blaby:** May I just try and get you to clarify this because I think we are getting some kind of focus here. You seem to be conceding now, which I would have thought was self-evident, that it is GDP per capita that matters and not overall GDP. As you said, your points system is designed to get the mix which is most economically advantageous to this country. Mass immigration will inevitably lead to an increase in overall GDP, but you have now conceded in fact that is not what matters, it is GDP per head. As you well know, calculating that depends partly on the mix but it also depends on a whole lot of
assumptions which are questioned and I do not want to go into that now, but inevitably the effect is relatively small. It is GDP per head which we need to focus on. We are thinking of the economic impact, I am not talking about non-economic issues. There are a whole lot of non-economic issues which are very important in the whole question of immigration. On the economic issues, which is our remit, you have now conceded that it is GDP per head and not overall GDP that we need to focus on and which tells us whether there is an economic benefit or not.

Mr Byrne: It is not necessarily a surprise to conclude that the impact of migration on GDP per capita is relatively small because the fraction of foreign-born workers in the workforce is approximately 12.5%. In any given year, the new flow of foreign-born workers into the workforce will only be a very, very small fraction of the total workforce, and so it is not a surprise that each year the impact of migration on GDP per capita growth is small and that obviously contributes to the difficulties in calculating it. I personally do think that GDP per capita is the key thing to focus on. I would not concede for a moment that an overall contribution to economic growth is unimportant and, my Lord, you would appreciate this more than most. If you look at some parts of our economy, eg the City of London and the huge growth that has contributed to our economy overall, that has been important in the tax base growing at the pace that it has grown. The City now contributes something like 24% of corporation tax receipts. Overall growth and, in particular, growth of certain kinds of sectors are important, but I think it would be a mistake to remove any kind of focus from the GDP per capita because, ultimately, if we want our country and our people to grow richer, that is going to be the key metric that I would look at.

Q514 Lord Lawson of Blaby: That is the quality thing which you were talking about earlier, the mix. The people who come into the City are people who are contributing a great deal economically. If you take another example, say when West Germany absorbed the former Communist East Germany, there was a considerable increase in overall GDP but this did not improve the living standards of the German people.

Mr Byrne: That is absolutely right. What I am saying is that I do not think we should ignore the contribution of migration to economic growth overall. That contribution towards economic growth has got to be an important element in our overall assessment of the cost-benefit analysis. It is perhaps not the one thing on which you would judge the success or failure of policy because that growth can contribute to increasing levels of tax which I would argue can then be recycled productively into certain kinds of investment. On that point I know we might also perhaps differ. I would agree with the point that GDP per capita is probably, amongst indicators, first amongst equals.

Q515 Lord Lamont of Lerwick: I was not very clear about one of the points you made at the beginning. Like Lord Lawson, I think it is GDP per capita we should be focussed on. Could you just explain a little bit more clearly the theory behind what you said? I am not in any way wanting to rubbish the study. You have produced a lot of statistics. What I would like to understand is actually the theory that you think allows migration to contribute to GDP per capita. You gave two effects, one was the spillover effect, which I think I understand, but I am not sure what the first effect was that you were saying would increase GDP per capita. You were saying it was not just the effect of a wider labour market allowing the matching of skills from the biggest possible pool. What was the first mechanism that gives you the reason to think that GDP per capita might be favourably affected even by unskilled migration?

Mr Byrne: It is good old fashioned “Adam Smith”. It is back to the wealth of nations and pin factories and the concept of the specialisation of labour. In a wider labour market it should and it is—

Q516 Lord Lamont of Lerwick: That is why I asked you if it was just the wider labour market to which you said no.

Mr Byrne: In a wider labour market it will obviously be easier for employers to find a better match for their particular skills need and in theory that will free up native workers to focus on things that they are very good at.

Q517 Lord Paul: Has any work been done on if you had not allowed the migration, what would be the GDP per capita?

Mr Byrne: Good question!

Mr Portes: If I can just supplement your answer to Lord Lamont. The first effect is indeed the standard effect. I think it is very important, if you draw the analogy with trade, to point out that the first effect is indeed the simple one of specialisation. Immigrants are not perfectly identical or perfect substitutes to natives, they are likely in many respects to be complements. The second effect goes beyond that and is analogous with the new trade theory which is based on the observation that there are dynamic effects from trade which go beyond those that simply come from the static model of things being either substitutes or complements, and that is illustrated in the data on trade by the example that we gain far more from trade with the European Union even though the European Union is quite similar to us in terms of economic structure than we do from trade with Africa even though Africa is very different in
terms of economic structure. Similarly, I think we would expect from that theoretical perspective there to be dynamic effects in terms of increased competition, possibly cluster effects. The City of London is an obvious example of where you might have clustering effects that will generate gains which are quite difficult to quantify in short-term economic studies but do come through in things like the Dustmann work, even though we can only speculate on the precise transmission mechanisms.

Q518 Chairman: Could I have a quick response to Lord Paul?

Mr Portes: It is impossible to say what would have happened to Britain if there were no immigration. I think it is exactly the same as the answer to people who say, “If you look at simple trade models, the gains from trade are not that big.” to which the answer is, “That is true in the simple model—but compare North Korea and South Korea.” The same thing is true of migration. Zero immigration would almost certainly have very substantial negative effects that a simple model will not give you but are almost certainly there if you compare the experience of countries with radically different policies.

Mr Byrne: Not least because of its impact on inflation.

Mr Elliott: I agree it would be impossible to estimate what the impacts of zero migration would have been, given that migrants are such an integral part of our labour market, but NIESR have produced a paper that estimates the impact of A8 migration over the next ten years under certain quite strict assumptions and they show that GDP per capita in that exemplification is about 0.27% higher after ten years than would otherwise have been the case.

Mr Byrne: If you compare that 0.27% to the 0.37%, which is the contribution from upskilling the labour force, you can see how the contribution towards GDP per capita could in relative terms be quite significant.

Q519 Lord Layard: I wanted to ask about family reunion. This is obviously quite a major category of immigration, with impacts on housing demand and so on. This is not much discussed in the public debate and not much covered in your evidence. Could you give us a note on the statistics of immigration for family reunion and the rules governing it? Secondly, if there is a worry about the impact of immigration on housing demand or whatever, do you think there is any scope for varying the rules for family reunion?

Mr Byrne: This is a very good question. It goes something I was going to raise a moment ago. It goes to the terms of reference of your debate. I think the scope of this inquiry is about the economic impact of migration, but there are types of migration into Britain on which it is very difficult to put a price or estimate a value. What value would you put on the right of freeborn British citizens to marry whoever they like wherever on earth they were born? What value would you put on Britain honouring its tradition of providing humanitarian protection to those who are in need? Many of the people who come into the UK through those different routes will have potentially quite big impacts on the overall business case for migration. We know, for example, that the labour market participation rates of many people who will have come to Britain as spouses can, in some communities, be much lower than the national average and in some cases very much lower than the national average. Equally, we know that many of those who have been granted refugee status or humanitarian protection or asylum by the UK will also have lower labour market participation rates, not least because they may well be suffering trauma or other mental health problems. What I think is great about this Committee’s debate is that it is looking at the economic impacts of migration overall and it does throw up some of these quite profound questions about the value that we put on different kinds of routes. I will happily provide that note to the Committee. The Committee will know that as we now move towards the start of the points system—it starts in under 80 days’ time—we are looking at other routes too. The Home Secretary has gone into consultation on some of the rules around marriage, for example, such as whether we should require an English test before people are granted a spouse visa. In some parts of the country that will be quite controversial, but actually we know that if you can speak English it has a very positive impact on your labour market success rates. Wages are much higher if you can speak English—you integrate and assimilate into the labour market much earlier. But we are also looking at short-term visitor routes as well. We are trying to systematically work our way through the different channels into the UK at the moment. I would be very happy to provide a note on that because it is a very important part of the overall analysis that you will have to pull together.

Q520 Lord Paul: The Government has also argued that migrants are “needed to fill labour and skills shortages” in the UK. Why has the Government facilitated large-scale immigration in response to alleged labour shortages, rather than letting wages rise to attract British workers to fill the vacancies or, where possible, leaving companies to engage in mechanisation and off-shoring? The Government is absolutely right in allowing that. I say that as Chairman of a company that employs 3,500 people in the manufacturing industry. Can I also declare that I am an immigrant.
Mr Byrne: I am really the grandson of immigrants. There are three points that I wanted to make in response to this. The first point here is obviously that the employment rate for UK nationals in Britain has risen by about 1.6 percentage points over the last ten years. The overall employment rate is now the third or fourth highest in Europe and that is no mean feat. What has been quite interesting about the performance of the British economy over the last decade is that you have not only had an increase in the employment rate but you have also had an increase in average wages. The average wage growth over the last ten years has been 3.4%, which is quite high. That increase in employment has gone alongside the increase in wages which in turn has gone alongside an increase in productivity. That is a very unusual combination. Again, if you look across OECD countries, that is quite a rare combination. It is not simply a case of facilitating immigration in order to fill vacancies but as a broader strategy for productivity growth in the economy. On Lord Lawson’s question about whether GDP per capita growth is the key thing to look at, I think it is probably the first among equals, but it would be wrong to ignore the overall impact of migration on growth and, crucially, the overall impact of migration on productivity growth because again that will be what is really important in growing GDP per capita over the long term.

Mr Elliott: Although I have not examined the data, I would hazard that it might be easier to raise productivity and GDP per capita in a growing economy. So although I agree with Lord Lawson that GDP per capita is probably the most important thing or at least the first amongst equals, having a growing total GDP beneath that is going to be pretty important.

Q521 Lord Moonie: Does not high immigration risk discouraging British employers from investing in training and skills boosting? How does the Government intend to ensure that the London Olympics and other flagship projects stimulate necessary domestic employment and skills development rather than just a demand for more migrant labour?

Mr Byrne: Training is at an all-time high and actually the commitment of the Government to invest in training over the next few years I do not think has been matched in recent history. The Leitch Review into this question I think underlines the risk that there is a danger of what you highlight, not at the mid to high end of the labour market but at the low end and that is one of the reasons why I have said that when the points system is introduced we will obviously honour our obligations under the Free Movement Directive within Europe, but I do not see a need for low skilled migration from outside Europe. One of the things that we can do to protect wage growth at the lower end of the income distribution in the labour market and to guard against the risk that employers do not invest in training in that particular part of the economy is to ensure that there is not low skilled migration from outside the EU. It is not a particularly popular policy with some parts of our economy. I do not know if the Committee has had a chance to hear from the National Farmers’ Union and from agricultural businesses as well, but certainly in my own region in the West Midlands I have been assiduously lobbied by the NFU and local farmers who make the point that low skilled labour from outside the new EU is really important to getting their job done. We have to try and weigh these things up. If the Leitch Review is underlining this risk, then I think it is right that we guard against it. From the DWP’s point of view, you are playing a key part in ensuring the Government’s policy is delivered in this area.

Mr Portes: I think that is absolutely right. There clearly is a risk here that too much migration in some of the wrong sectors would indeed reduce the incentives, which is why we established the Migration Advisory Committee and we will ask them to take this risk into account amongst other factors in advising on which sectors migrants might help to fill in terms of labour market shortages. MAC is going to work together with the new Commission for Employment and Skills, which is the joint DWP/DIUS body which is trying to meet the challenge set out by the Leitch Review of ensuring that we do fill that gap at low and medium skilled levels of the labour market. I think that the policy mix hangs together very coherently.

Q522 Lord Skidelsky: What evidence has come out of the new Migration Impacts Forum and elsewhere concerning the impact of immigration on the costs of providing public services such as education and public health care? How do these costs affect the economic case for migration to the UK? What measures is the Government taking to ensure that local councils have adequate funds to provide public services?

Mr Byrne: I would be happy to provide the Committee with a statement of some of the key points that have come out of the Migrant Impacts Forum. The starting point for this answer is to point to the IPPR study which looked at the contribution to the tax-take of migrants and contrast it to estimates about public service consumption, and no doubt that is something that will detain those who are drafting the Committee’s report at some length and you will no doubt go into some of the debates about what constitutes a migrant when it comes to a child even if they are born here with two parents and that is all very complicated. The reason that the Migration
Impacts Forum was set up was so that we could begin for the first time to try and corral the evidence that we did feel was out there about the impact of migration on public services. I have been very upfront by saying that I do think there are wider impacts of migration on public services. I serve an inner-city community in Birmingham where we have quite high rates of migration, quite high rate of demographic turnover and I do think that that affects the ability of public servants to deliver education and health services. People were very interested when I said this for the first time but it struck me as blindingly obvious. The Migration Impacts Forum is an attempt to try and bring together public service professionals from across the UK, so we ask individuals to represent not just a particular part of public services but also to represent a part of the country. Very often what we are finding is that people are not able to produce hard evidence to account the wider impacts of migration.

Q523 Lord Griffiths of Fforestfach: Minister, the Government has made affordable housing one of its priorities and it forecasts that by 2026 something like a third of all new houses will be immigrant households. Do you think from that there is a case for curtailing migration in order to reduce housing demand and make housing more affordable?

Mr Byrne: I was about to say that one of the big challenges in managing this policy effectively is obviously that migrants move faster than ministers! Communities can change faster than local councils can sometimes react. That is why I think in some communities the pace of change has been deeply unsettling and I would include my own city in there. I do not think that we should be running migration policy in the exclusive interests of the housing market. I think there are a number of interests that we have to balance in the conduct of our immigration policy. There will be evidence that has been presented and will be presented to this Committee that I think will point to a revision in some of the projections about the number of houses that are required because of migration growth. That is not simply because ONS has produced more recent migration projections which have raised the net balance from 145,000 to about 190,000, but there have been quite big changes in the fertility rates of British people and there have also been changes in life expectancy. We do await the DCLG’s new projections and what they will show.

There are a number of things that will obviously affect the availability of affordable housing, not least the policies of different local authorities towards the right housing mix for their particular communities. The final very interesting point on housing policy is that sometimes in the national debate we lose sight of the ambition of some local authorities and some local communities to grow their population. In Scotland, for example, a part of the UK that has been suffering depopulation for some time, there is an ambition to grow the population. When I was going round the country at the end of 2006 people in Newcastle were saying, “We’ve got big ambitions to grow the population here. As hard as we try, we’re not going to achieve that target by encouraging the good denizens of Newcastle to breed faster, we will need migration to help.” Birmingham has got ambitions to
grow its population by 100,000 over the next decade. When you poll the public and ask if migration is the problem nationally, many will say yes. When you ask people if migration is the problem locally, only 25 or 26% will say yes. It is important in answering this question to look not just at a national picture but at some of the ambitions that local communities will have as well.

(Questions and answers)

Q524 Lord Oakeshott of Seagrove Bay: The Office for National Statistics are projecting the UK population will increase to over 71 million by 2031, with about half of that increase accounted for by net migration. Is there a desirable rate of population growth or an optimum level of population for the UK? If either of those things is true, what are the implications for immigration policy?

Mr Elliott: My answer to that question would be that it would not be easy to try and estimate what the optimum population would be. One could think in principle how it might be done. One might start with the current level of population and then look at the costs and benefits of moving either side of that level, as migration and population change for other reasons. Many of the economic things that would change could be quantified and many of the other things that would change, such as the community cohesion that the Minister was referring to earlier, could not be so quantified. Firstly, it would be very difficult to arrive at that position. Secondly, I have the sense that any optimal rate of population growth or an optimal level of population growth would be heavily influenced by where we are now because it would be quite difficult to say at this point if we would actually be better off if the country only had 40 million people or 80 million people because you are then moving a long way from your current range of experience and the quantification gets quite difficult.

Mr Portes: Clearly, the desirability of any particular level of population, leaving aside whether it is an optimum, depends crucially on how it is distributed. If everybody wanted to live in London and the South East, that would have quite different implications to a much more even spread, eg the fact that the most recent significant wave of migration, that coming from the new A8 Member States, has been much more dispersed and much less concentrated in London than the previous waves of migration, has significant implications for what you might say about the impact. Just to look at the overall UK level in itself is clearly not going to be enough; you also need to know about the distribution both of migrants and of the existing population. On pensions, the Government’s position is clearly that we do not think that solving the pensions problem or addressing the issue of the long-term sustainability of pensions is the objective of migration policy. Nevertheless it is a fact that some level of positive net migration does ease the long-term financing constraint for the pension system and in that respect makes a positive contribution, although that is clearly not a driver of policy in itself.

Lord Oakeshott of Seagrove Bay: I think you would both make very good ministers. I am taking both answers as a no!

15 January 2008

Mr Liam Byrne, Mr John Elliott and Mr Jonathan Portes

Q525 Lord Best: An article in the Economist suggested that the new points-based system will only cover about 40% of migrant workers coming into the UK and a very much smaller percentage of all migration into the UK. How do you expect the introduction of the new system to affect the overall number and skill levels of migrants coming in? How big an influence would this have on totals?

Mr Elliott: I think it is too early to say at this stage exactly what effect the points-based system will have because it is still being developed. The Minister has said previously that he expects that the points-based system will cover close to six out of ten non-British immigrants flowing into the country, because it will cover not only those people that are coming to work but also students and the dependents of those people will also be in scope. The impact of the PBS will be to enable us to manage that total volume of non-British inflow, that is excluding EU citizens, these will have to be non-EU.

(The Minister returned).

Q526 Lord MacGregor of Pulham Market: My question was really related to your answers to both the points on education and health care and housing, which I thought were very interesting. I think you said you would give us another paper. You indicated that 25% of the people in the survey you were doing in the regions indicated real concern and we know that about 65% of immigrants work and live in the London area. That raises a whole series of issues away from the purely macro-economic ones. You cannot make it a condition of a visa that you have to go and live and work in Newcastle, the area you suggested. In the paper, could you make a distinction between the regions that are really impacted and, within that, localities that are particularly impacted, and in so doing deal with the question that you were asked about what was Government doing to ensure that local councils have adequate funds to provide public services in these areas that are most impacted?

Mr Byrne: I will certainly break down the feedback to the extent that I can. The point I was making about concerns about migration locally was that—that was a MORI poll—only 25 or 26% said they thought immigration was a big issue locally. It is just quite an interesting contrast with the number of people who are concerned about immigration for the UK.
Q527 Lord MacGregor of Pulham Market: Which makes the point about regional and local impacts even greater?

Mr Byrne: Absolutely right. What DCLG ministers would tell you if they were sitting here is that the support to local government has been increased very considerably over the last ten years. £5 billion or so has now been consolidated from different kinds of grants. There is much more flexibility now available as ring-fences have been taken off. One of the conclusions from the Commission for Integration was that funding for community cohesion activities was increased markedly and actually that funding has been increased quite dramatically from £2 million a decade ago to something like £50 million over the next three years. That is quite a considerable increase.

Q528 Lord Oakeshott of Seagrove Bay: I would like to ask one last question on the points-based system. You were asked a question when you were talking about spouses about how important it was that immigrants should be able to speak English. Why is it that investors of a million or more in regulated institutions are exempt from being able to speak English? Is it not quite important if we want the best in this country that they should be able to speak English?

Mr Byrne: What we do not want to do is cut off the opportunity of bringing in large amounts of capital that are going to be invested in productive things from the UK. As with all questions in the migration system, I think you have got to apply a balance. I think that the number of investors that we perceive coming in would actually be quite small. If the Committee would find it useful I would be happy to give the number of people coming in through that route over the last few years. I cannot remember what it is but it is quite small. You run into those questions in all sorts of different categories. If you take sports people, who will be one of the categories within Tier 2, should we be insisting that absolutely all footballers or indeed England managers should be able to pass an English test before they come in? At the moment I am afraid our proposal is that they should. Let me give you a different example. If you look, for example, at people coming in through intra-company transfers; intra-company transfers are about 25% of work permits that were issued last year. If you talk to many Japanese investors, they will say that people coming over under an intra-company transfer from a Japanese company, skilled engineers contributing quite considerably to the strength of the UK manufacturing base, are quite nervous about the kinds of English requirements that we would insist on. You cannot look at migration policy purely in terms of the economics; I think you do have to look in terms of the wider impact that migration has on Britain and that is why the Prime Minister has been right to stress the ability to speak English.

Q529 Lord Lawson of Blaby: He is right to stress that succinctly. I believe the Canadian points system does have the English language as quite an important component of it. I would like to ask you a question about the points system. Many people think there are too many foreign footballers in our Premier League and it is not doing any team any good, certainly the England team is not doing any good. I would have thought, judging by what they earn, they would come in easily under Tier 1, so I do not think you need Tier 2 for that. Why do you need Tier 2 at all? I do not understand this. Tier 1 is the genuine points system, rather like the Canadian system where you are trying to choose those immigrants who are likely to be most beneficial to the economy of this country. That seems to me perfectly rational and sensible. Why do you need Tier 2? How do you balance one against the other? Why not have what the Canadians do, a single system, which is a genuine points system? Why not have only Tier 1? I thought it was a very sensible thing when you said you were going to introduce that. Why do you want anything else?

Mr Byrne: I am going to disappoint you even further and say there are two more tiers: one is the tier for students and the other is for temporary workers.

Q530 Lord Lawson of Blaby: What are we talking about in this context is permanent settlement.

Mr Byrne: Tier 1 applicants will not require a sponsor in the UK. There is a group of people globally who we think it is in the UK’s interest to either retain in the UK once they have graduated from college or university or we want to attract to the UK as they have such a level of qualifications or earnings capacity that we think they should be perfectly able and perfectly free to find their own place in the labour market. In order to try and get the policy as correct as possible, we have published a statement of intent on how we see that working. There will be questions that we need to iron out. For example, if you are looking at past earnings, how do you translate those past earnings into UK earnings, because obviously people are coming from different kinds of economies? In Tier 2 however, we want people to be linked to a sponsor, a business which has conducted the “resident labour market” test on the job that it is offering to the individual from abroad or which is employing people in a shortage occupation. I think the Committee is going to hear from the chair of the Migration Advisory Committee. I suspect the lion’s share of the Migration Advisory Committee will be advising government upon where in the economy there are genuine shortage occupations places which can “sensibly” be filled by migration. We did want to create a difference in the points
system between those individuals that we thought should find their own place in the labour market and those that we thought ought to be tied to a particular employer. It could be that in the future, as the system evolves, everything moves to the kind of regime that we envisage for Tier 2.

Q531 Lord Lawson of Blaby: For Tier 2?
Mr Byrne: For Tier 2. I cannot actually foresee a situation where we are just letting anybody come in and find their own place in the labour market. I think that might create administrative difficulties of its own. I think the challenge is absolutely right. What I wanted to do is start with what is deliberately a two-tier approach.

Chairman: Can I bring Lord Lamont in here.

Q532 Lord Lamont of Lerwick: Could I just come back, if I might, to the very, very beginning and your theory of the benefits—
Mr Byrne: It is not my theory.

Lord Lamont of Lerwick: Well, the theory which you said was pure Adam Smith and you drew the analogy between labour and trade in goods and services. What I am not clear about is why you are not in favour of unlimited immigration. It seems to me that the limitations you have argued for are entirely arbitrary. You have said, well, let us have a limit on non-EU immigration as opposed to EU immigration, in order not to have an impact on domestic wages, as though EU immigration did not have an impact on domestic wages. You have said, let us have a limitation outside the EU because of the wider impact on things like housing, as though immigration did not already have an impact on what you call the wider effects. Is not the limit you are seeking to draw entirely arbitrary?

Chairman: Can I just group a couple more points before we finish. If I could bring in Lord Skidelsky and then Lord Griffiths as well, and then perhaps you could take the three questions.

Lord Skidelsky: My question is complementary to Lord Lamont’s. You say that you cannot envisage a system in which everyone is free to find their place in the labour market, but in fact that is the system for EU migrants. Why then do you need a Tier 2? Why can they not actually fill all these shortages just through normal market supply and demand within a huge market where everyone is free to move? Just adding to that very briefly, when you, rightly, talk about the importance of clusters, that tells you nothing about the size of the overall population at all; it is simply about its distribution.

Chairman: Lord Griffiths and then finally Lord Lawson, and then we can have a ministerial sweep-up.

Lord Griffiths of Fforestfach: Mine is about the points-based system. It seems to me there is a spectrum. On one side of the spectrum you have a free-for-all, a free market, people come in and they find themselves and wages adjust and so on. At the other extreme you have manpower planning. Mr Elliott was with the Manpower Services Commission. My impression—and I need to go back and look at some things—is that manpower planning did not really work and what I am not clear about is where conceptually the points-based system is on that spectrum. Is it quite near a free market approach or is it nearer a manpower planning approach?

Chairman: Lord Lawson?

Q533 Lord Lawson of Blaby: Yes, I agree with Lord Griffiths. This is, curiously, the only relic of the planned economy which the Government continues to embrace.

Mr Byrne: There must be others!

Lord Lawson of Blaby: And I would also agree with Lord Skidelsky, that insofar as even if you do have a Tier 2, you could get skilled people, not just unskilled people, from the European Union; they are quite civilised people there! And so I am completely puzzled by this idea that there are these shortages. Of course there are employers, both in the public sector and the private sector, who would like to get cheap labour, but in fact that does not prove anything at all. What is more instructive, if you look at a country like France for example, we are told that the Health Service needs all these people, and presumably a lot of them are going to come under Tier 2—I think that is what the Home Secretary said in his speech a few weeks ago—France has immigration but on a far smaller scale than ours, and yet their health service is at least as good and probably better than ours. So there cannot be any reason why in fact you need the Tier 2, whether it is for the Health Service or anything else.

Q534 Chairman: Minister: discuss!

Mr Byrne: The World Bank put this rather well, I thought, in Global Economic Prospects 2006, where it made the point that if you introduced complete free movement of labour around the world, it would probably have a more positive impact on GDP growth across the world economy than lifting all trade restrictions. So you are absolutely right to say that an unfettered labour market is going to be economically more efficient, but the point that I have consistently made is that we are not actually running British immigration policy in the exclusive interests of the British business community. I have gone on the record consistently over the last year and a half to two years, to say that I think that migration brings wider impacts on British national life, British public services, and local communities that need to be
managed. What that means is what we have to try and do is manage the pace of change. It is not a scientific process but what we should be trying to do is adopt a couple of principles, first the principle of flexibility; we need to be able to change the system and the system management in response to the way in which the world changes. The second is accountability—I think that politicians in a question like immigration should be held to account for the decisions that they make. The third is evidence, and that is what we are trying to do with the Migration Advisory Committee and the Migration Impact Forum, to put in place a much more robust evidence base than we have had before. The fourth is transparency. We need to try and make this evidence as transparent as possible so that politicians can be held to account for the decisions that they take, but also, frankly, so that we can have a more rational debate in this country about the benefits and the costs of migration. It is quite true to say that we have a completely different policy for the EU to everybody else. That happened to be a decision that was so important that we actually had a referendum on it, and over the course of the years since we joined the EU there have been nine Directives that have driven forward free movement. Seven of those Directives were under Conservative Governments; two of them were under Labour Governments. They were consolidated in 2004 and when those Regulations were laid they were not opposed by any party. Thus it is quite true to say that the EU is a special case, but I think there was a pretty clear decision by the British people made on it. Markets will take time to adjust. Although there has been considerable migration from Eastern Europe, when you look at, for example, the British agricultural industry, given the size and scale of the European labour market, I think you would be expecting to see many of those pressure points, those rubbing points, in the British agricultural industry that the NFU and others are talking about, filled by people from the European Union. But for some reason that is not happening, and I think what is going on is it is simply taking time for markets to adjust. All of that is a long way from saying that we should be running British migration policy in order to maximise the business case, if you like, for the economy. I do think that there are wider costs to take into account. Many of those costs are difficult to manage. What we will try and do, though, is do that in a much more open and transparent way and in a way that strikes a new balance in the years to come.

Q535 Chairman: Thank you, Minister. I am sure any questions that you feel need amplification we will get from your Department in writing. Apologies for keeping you longer than we had intended to. One of the benefits of young ministers is clearly the speed with which they get here, so thank you very much for that.

Mr Byrne: Thank you very much.

Supplementary memorandum by the Home Office

How did you select and determine the relative weight (ie the maximum points) of the various criteria in the new points-based system (especially in Tiers 1 and 2). How will this mechanism respond to changing economic conditions such as an economic downturn?

In tier 1, the points scoring structure is flexible and is based on criteria that will indicate success in the labour market. For tier 2, qualifications and prospective earnings are used to identify the best migrants to fill gaps in the UK labour market. If an applicant claims fewer points in one area, they can make up for it by claiming more points in another. This inherent flexibility will enable us to be responsive to changing economic conditions by amending either the criteria themselves or the relative points weighting of criteria. We will be monitoring the impact of the Points Based System (PBS). Our policy will also be informed by advice from the Migration Advisory Committee and the Migration Impacts Forum to ensure that the system continues to benefit the UK economy and that it takes account of the wider impacts.

The proposed points table for highly skilled migrants, tier 1, was published last year in the Statement of Intent. We analysed a sample of Highly Skilled Migrant Programme Further Leave to Remain (FLR) applications taken from the first quarter of 2005. At this point we were able to get an indication of what the migrants were doing in the UK and thus whether the scheme was bringing in migrants who are both highly skilled and able to successfully integrate into the UK labour market. The data clearly demonstrated that the previous earnings criterion was the strongest predictor of labour market success.

We are satisfied that people with qualifications at degree level and above will best meet the aims of this category to attract those who through their skills (human capital) contribute to increasing productivity and, as a result, raise the trend rate of economic growth.
Tier 2 is for those skilled workers who have received a job offer from a UK employer. Having undertaken analysis of work permit applications and modelled a number of scenarios the Government published an illustrative points table for tier 2 in the Command Paper “A Points Based System: Making Migration Work for Britain”.

The figures in this table are still undergoing further modelling against up to date figures on work permit applications and earning rates and qualifications in the wider economy. This work will help us select weightings for the tier 2 criteria, particularly qualifications and earnings, that help maximise migrants net benefit to the British economy.

The Government will be publishing a Statement of Intent for tier 2 in March 2008. This will provide further detail on the weighting that will be given to the criteria for this tier.

*15 January 2008*

**Supplementary memorandum by the Home Office**

Before your Committee on 15 January, we undertook to provide additional information on three areas:

1. **Key Points that have come out of the Migration Impacts Forum about the impact of immigration on the costs of providing public services.**
2. **Numbers of migrants entering the UK as investors.**
3. **The immigration rules and recent years’ statistics for migrants coming to the UK as family joiners.**

In addition, supplementary information has been requested in three further areas:

4. **An explanation of the Home Office/ DWP calculation of the impact of immigration on GDP per capita.**
5. **The evidence on which policy decisions on A8 and A2 nationals were based.**
6. **The impacts of migration on the demand for key public services.**

The information for points 1–5 is set out below and in the annexes:

- Annex A Report to the second meeting of the MIF on the impacts of migration (not printed).
- Annex B Summary of Government action in areas suggested by Rodney Green MIF lead on Cohesion (not printed).
- Annex D Social Impacts Literature (not printed).
- Annex E Memorandum on evidence on which A2 and A8 decisions were based (not printed).

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1. **Key Points that have come out of the Migration Impacts Forum about the impact of immigration on the costs of providing public services**

The context to this is that migration has a positive impact on the public finances. In 2003–04 migrants contributed 10% of taxes received by the Government—more than their share of the population (9.6%). By contrast, they used up 9.1% of Government spending—less than their share of the population.

This was borne out in a 2005 report by the Institute of Public Policy Research, which found that migration had a positive influence on the public finances, and indeed that the impact was growing.

We do not under-estimate the impact on some authorities. MIF is beginning to build up an evidence base on the impacts. I attach a report we gave to the second meeting of MIF on the impacts of A8 migration (Annex A). I also attach a report setting out the action Government is taking across a number of issues raised by Rodney Green and fellow MIF members during the discussion on the impacts of migration on community cohesion which took place at the October meeting (Annex B).

The committee asked what the Government is doing to ensure that local councils have adequate funds to provide public services in these areas which are most impacted.

The Government has introduced the first ever three year settlement for local government in England—something that local government supported and wanted. We have also increased flexibility to respond to local priorities by:

- bringing into formula grant or Area Based Grant £5.6 billion of grants over the Comprehensive Spending Review period;
- removed ring fencing and other controls; and

The floor guarantee means that all authorities see increases in formula grant every year.

We are providing £50 million over the next three years for community cohesion projects, a massive increase over the £2 million provided previously.

ONS are working with central and local government to improve the population and migration statistics. We are engaging with local government through work with the Local Government Association to enable local authorities to make full use of migration-related data at a local level. We will collaborate on further work to understand the local impacts of migration and the pressures that local authorities face.

2. Number of Migrants in the Investors Category

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Investor Approvals at entry and leave to remain</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>165</td>
</tr>
<tr>
<td>2006</td>
<td>175</td>
</tr>
<tr>
<td>2007</td>
<td>160</td>
</tr>
</tbody>
</table>

The above data are based on Management Information, are provisional and may be subject to change. The data are not National Statistics.

3. Immigration rules and recent years' statistics for family members

The Immigration Rules provide for the following family members of British citizens or settled persons to enter or remain in the UK: fiancés, proposed civil partners, spouses, civil partners, unmarried partners, same sex partners, children, parents, grandparents and other dependent relatives. To qualify for leave as a family member, an individual would need to demonstrate that they meet the requirements of the Immigration Rules (see below).

Provisions for fiancés and proposed civil partners

To qualify for leave to enter as a fiancé or proposed civil partner (of a British citizen or settled person), the following requirements must be met:

— the parties to the marriage/civil partnership must have met;
— both parties must intend to live permanently with the other as his or her spouse or civil partner after the marriage/civil partnership;
— the parties must be able to maintain and accommodate themselves without recourse to public funds.

If the requirements of the rules are met, leave to enter will be granted for six months.

Provisions for spouses, civil partners, unmarried partners and same sex partners

To qualify for leave to enter as a spouse or civil partner (of a British citizen or settled person), the following requirements must be met:

— the parties to the marriage/civil partnership must have met;
— both parties must intend to live permanently with the other as his or her spouse or civil partner;
— the marriage/civil partnership must be subsisting;
— the parties must be able to maintain and accommodate themselves without recourse to public funds.

In addition, to qualify for leave to remain as a spouse or civil partner, a person must have been granted a period of leave of more than six months (unless they entered with a fiancé or proposed civil partner visa). This prevents applicants who have arrived as visitors or short term students from “switching” into the marriage category.

To qualify for leave to enter as an unmarried or same sex partner (of a British citizen or settled person), the following requirements must be met:
— the parties must have been living together in a relationship akin to marriage or civil partnership which has subsisted for two years or more;
— the parties must intend to live together permanently;
— the parties must be able to maintain and accommodate themselves without recourse to public funds.

If the above requirements are met, a person will be granted a period of two years leave to enter or remain (“the probationary period”). This period allows us to test the genuineness and permanence of the relationship.

To qualify for indefinite leave to remain (ILR) if the marriage/civil partnership/relationship is still subsisting at the end of this period and the partner is, a person will be granted indefinite leave to remain (ILR).

Provisions for children

The Immigration rules provide for leave to enter or remain to be granted to a child of a parent, parents or a relative present and settled or being admitted for settlement in the UK. The main points are that the child must be:
— under the age of 18,
— not leading an independent life, is unmarried and has not formed an independent family unit,
— maintained and accommodated without recourse to public funds.

The rules also provide for indefinite leave to enter to be granted to an adopted child of a parent or parents settled and settled or being admitted for settlement in the UK.

Provisions for parents, grandparents and other dependent relatives

To qualify for indefinite leave to enter or remain as a parent, grandparent or other dependent relative (of a British citizen or settled person), the following requirements must be met:
— a parent or grandparent aged 65 or over (or if under 65 living alone in the most exceptional compassionate circumstances) or
— the son, daughter, sister, brother, uncle or aunt over the age of 18 if living alone outside the UK in the most exceptional compassionate circumstances;
— is financially wholly or mainly dependent on the relative present and settled in the UK;
— has no other close relatives in his own country to whom he/she could turn to for financial support;
— will be maintained and accommodated without recourse to public funds.

Statistics

These statistics are taken from Control of Immigration Statistics 2006.

<table>
<thead>
<tr>
<th>GRANTS OF LEAVE TO ENTER FOR TWO YEAR PROBATIONARY PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
</tr>
<tr>
<td>Spouses, fiancés, civil partners, proposed civil partners, unmarried partners and same sex partners</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRANTS OF SETTLEMENT BY CATEGORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
</tr>
<tr>
<td>Spouses, civil partners, unmarried partners and same sex partners</td>
</tr>
<tr>
<td>Children</td>
</tr>
<tr>
<td>Parents and grandparents</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>
The Impact of Immigration on GDP Per Capita

The Home Office/DWP calculation

In his oral evidence to the House of Lords Economic Affairs Committee, the Immigration Minister referred to an estimate that migration contributed 0.15% per annum to the GDP per capita of the native population. This figure was calculated as follows:

- In a study for the Low Pay Commission, Dustmann et al. found that an increase in the migrant population of 1% of the native population would increase native wages by between 0.3 and 0.4%.
- In paragraph 4.1.2 of our written submission to the Committee we noted that the proportion of the working age population that was foreign-born increased by about five percentage points in the 10 years to the end of 2006.
- Multiplying the Dustmann et al. estimates by the increase in the foreign-born share of the working age population gives a range of 1.5–2.0% over 10 years.
- Assuming that the impact of immigration on GDP per capita is the same as its impact on wages, we can estimate that immigration has led to a 1.5–2.0% increase in GDP per capita over 10 years.
- Alternatively expressed, this assumption requires that the impact on returns to capital will be similar to the impact on returns to labour. To the extent that migration does not also raise returns to capital, the overall impact on GDP per capita will be lower. In the absence of firm evidence on returns to capital, we therefore take the lower bound of the estimated impact, ie 1.5% over 10 years or 0.15% year.
- Given GDP per capita of £21,500 in 2006, the 1.5% suggests that GDP per capita would have been approximately £300 higher by the tenth year.

Memorandum by Migration Watch UK

Summary

1. There are two central questions:
   (a) What is the impact of immigration on our population and quality of life?
   (b) Why do we need a higher population?

This paper suggests that the economic benefits of mass immigration are small while the social costs are high.

Number and Characteristics of Recent Immigrants

2. Net immigration is a recent phenomenon as illustrated by the bar chart below:

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NET INTERNATIONAL MIGRATION INTO ENGLAND 1964–2005

(Source: Parliamentary Written Answer WA91—17.10.2005 and ONS International Migration Series MN32)

3. Immigration is highly concentrated in the South East, especially in London. The following table gives a regional breakdown of net international migration in the period 1993–2005:

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Net immigration 1993–2005</th>
<th>Percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>10,000</td>
<td>1%</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>36,000</td>
<td>2%</td>
</tr>
<tr>
<td>Wales</td>
<td>27,000</td>
<td>2%</td>
</tr>
<tr>
<td>South-East</td>
<td>144,000</td>
<td>9%</td>
</tr>
<tr>
<td>London</td>
<td>1,035,000</td>
<td>65%</td>
</tr>
<tr>
<td>Rest of England</td>
<td>437,000</td>
<td>27%</td>
</tr>
</tbody>
</table>

4. The Government Actuary Department’s assumptions of net international migration, used in their population projections, have consistently been understated. They now assume that net immigration will fall by about 30% and then stay flat at 145,000 a year. The following graph shows how they have progressively raised their assumption since 1996:
5. Based on these projections, international migration will add nearly 6 million to the UK’s population in the period 2004–2031 out of a total population increase of 7.2 million. (So migration will contribute 83% of the population increase):

6. The source of net foreign migration in 2004 and 2005 combined was as follows:

(Source: ONS International Migration—Series MN32 table 2.1a)

7. Migration flows from the “old” EU are relatively small at 8% while Eastern Europe accounts for less than one fifth of foreign immigration (but see para 8 below). Nearly two-thirds of net foreign immigration into the UK is from New Commonwealth or “Other Foreign” countries, mainly developing countries. Migrants from the developing world are far more likely to settle in the UK while the flow of migrants from the A8 countries is likely to get back into balance once these countries’ economies “catch up” with the UK.

8. It may well be that A8 migrants are understated by the International Passenger Survey. Many use the smaller ports of entry which are given insufficient coverage in the IPS and the survey asks about intentions which may well change. It may be significant that, in the year from mid-2005 to mid-2006, net migration from the A8 countries was recorded as just 58,000 but in the same period 210,000 East Europeans registered to work in the UK. Self-employed workers and dependants of all workers are additional to this figure. Recent survey evidence suggests that only 45% of Polish migrants expected to return to Poland within 4 years.

ECONOMIC IMPACT OF MIGRANTS

Impact on GDP

9. Various claims have been made by the government about the impact of migration on GDP, for example:

1. Migrants make up 8% of the population but contribute 10% to GDP.
2. Migrants make up 8% of the working population but contribute 10% to GDP.
3. Migrants add 15% to 20% to trend growth.

10. The first claim took no account of the fact that the majority of migrants are young and their children are mainly UK-born and are not counted in the migrant population. When UK-born children are taken into account migrants add roughly the same to the GDP as they add to population so that there is no increase in GDP per head.

11. The second claim takes no account of the lower employment rate of migrants. When this is taken into account their addition to the working age population is roughly 10% or about the same as their addition to GDP.

12. The third claim is based on a Treasury assumption that immigrants add to production in the same proportion that they add to the size of the workforce. This gives an addition of 15–20% to trend growth which, in turn, is now assessed as 2.75%. As a matter of arithmetic, that works out at an annual benefit to the native population of about £14 per year or 28 pence a week. (See Annex A for details).

13. Thus, using the Treasury’s own assumptions, the average addition to GDP per head is very small indeed. In contrast the impact on population is very large—equivalent to a new Birmingham every five years.

14. This result is in line with studies in the USA, Canada and The Netherlands. Each found that the impact of immigration on GDP per head was small. For instance, the Netherlands Bureau for Economic Policy Analysis, part of the Ministry for Economic Affairs, carried out a study which concluded that: “the overall net gain in income of residents is likely to be small and may even be negative”.

**Fiscal Impact**

15. Studies by the Home Office and by the Institute for Public Policy Research (IPPR) purported to show that:

- Migrants contributed £2.5 billion more in taxes and national insurance contributions in 1999–2000 than they received in benefits and public services.
- Migrants’ net contribution (in taxes and NI contributions compared to benefits and services received) was relatively higher than the UK-born population.

16. The first claim considered a year when the public finances were in surplus so that both migrants and the UK-born made positive fiscal contributions.

17. The second claim turned on the treatment of UK-born children of migrants. The costs of children were allocated according to the birthplace of their parents but the costs of children of mixed parentage were all allocated to the UK-born population. Correcting for this (ie allocating the costs of these children equally to the UK-born and foreign-born population) resulted in:

- The £2.5 billion “surplus” being changed into a deficit of about £100 million.
- The migrant population making a smaller net contribution per head than the UK-born in 1999–2000 and a similar contribution in 2003–04.

Overall therefore there is no fiscal benefit to the host population.

**Impact on Infrastructure**

18. Clearly the large growth in population resulting from migration will require an expansion of infrastructure, for example in transport and utility supplies. The most obvious impact, however, has been (and will be) on housing.

19. In the period 1997–2005 the number of households in England is estimated to have increased by 1.563 million of which 592,000 (37.9%) are migrant households. Over the same period the housing stock has risen by 1.336 million. The rise in housing stock has therefore failed to keep up with the number of households formed—the shortage is nearly a quarter of a million homes. With net migration at half the levels experienced between 1997 and 2005 there would have been no shortfall between supply and demand—this shortfall accounted for much of the surge in house prices experienced in the period.

20. Household projections issued by the Department for Communities and Local Government now project an annual growth in households of 223,000 a year of which one third (73,000 a year) are attributable to the assumed rate of net migration (see paragraph 4 above).
21. Immigration is therefore a major component of the need to expand the house building programme and to expand onto greenfield sites. It is also important to note that new households formed by more people living alone and more people of pensioner age do not add to population density so there will be little need for additional infrastructure (shops, workplaces, transport etc). Among the native population, the number of additional adults will increase by less than 3 million (6%) between 2004 and 2031.

CONCLUSION

22. We conclude that the overall economic benefits of immigration in terms of GDP per head and fiscal impact are largely neutral.

23 September 2007

Annex A

THE IMPACT OF IMMIGRATION ON GDP PER HEAD

1. In their 2006 pre-budget report, the Treasury estimated that immigration in the period 2001Q3 to end 2005 had added about 1% a year to the working age population. They assumed that migrants contributed the same percentage to GDP growth as they added to population. Trend growth is now estimated to be 2.75% a year. ½% of this is 18.2%—hence the government claim that migrants add 15–20% to trend growth.

2. However, this takes no account of the addition to overall population and hence the impact on GDP per head. Using GAD population projections and the Treasury assumptions the following would be the impact of migration on GDP per head at today’s production levels:

(a) Annual growth in working age population due to migration from 2004–2031 = 0.42%.
(b) Thus, annual growth in GDP due to migration in this period = 0.42%.
(c) Annual growth in the overall population from 2004–2031 due to net migration = 0.35%.
(d) Average annual addition to GDP per head of population (b–c) due to net migration = 0.07%.
(e) Addition to GDP per head each year (at 2005 production levels)\(^5\) = £14 per annum or 28p a week.

REFERENCES

i ONS International Migration—Series MN.
ii GAD Web article on migration and population growth at http://www.gad.gov.uk/Population/2004/methodology/mignote.htm
v Parliamentary answer given by Ruth Kelly, then Financial Secretary to the Treasury, in May 2002.
immigrants, it is only 22% of the total, so there is an
If you take their number for real immigrants, net
therefore it does not arise.
course the Government claim that most of them are
productive because they are over-qualified, but of
said that East Europeans will become more
works out at an annual benefit of 62 pence per head
figures of £6 billion of extra production per year
OECD have described it to you as a “very
situation in which GDP per head is actually rather
Minister was struggling, frankly, to get out of a
Layard’s question is yes, up a to point. I thought the
questions four, five and six. The short answer to Lord
try and focus on the policy issues which arise from
brief on the earlier questions which are analytical and
you have given to us or can we go straight into
Members can hear everything. Is there anything that
you would like to say in addition to the evidence that
you have given to us or can we go straight into
questions?
Sir Andrew Green: I think we should go straight to
questions.
Q536 Chairman: Sir Andrew, our apologies and
thank you for your patience; we are a little behind
time. You may have heard me asking the previous set
of witnesses to speak as deliberately as possible and
as briefly as possible so that the stenographer and
Members can hear everything. Is there anything that
you would like to say in addition to the evidence that
you have given to us?
Q537 Lord Layard: You argue that the impact of
immigration on GDP per head is very small. Can we
expect the economic benefit from immigration to
increase as migrants integrate into the economy over
time? Could there be other dynamic events such that
we talked about this afternoon that are not currently
picked up in macroeconomic data from, for example,
having a larger number of highly motivated and/or
skilled workers in the UK?
Sir Andrew Green: Chairman, if I may, I will be fairly
brief on the earlier questions which are analytical and
on which you have spent a lot of time. I would like to
try and focus on the policy issues which arise from
questions four, five and six. The short answer to Lord
Layard’s question is yes, up a to point. I thought the
Minister was struggling, frankly, to get out of a
situation in which GDP per head is actually rather
small compared to the impact of immigration as a
whole. The OECD have described it to you as a “very
small positive balance”. The Government’s own
figures of £6 billion of extra production per year
works out at an annual benefit of 62 pence per head
per week. To answer Lord Layard’s question, it is
said that East Europeans will become more
productive because they are over-qualified, but of
course the Government claim that most of them are
here in the short term and therefore it does not arise.
If you take their number for real immigrants, net
immigrants, it is only 22% of the total, so there is an
effect but it is not huge.
Q538 Lord Skidelsky: Your calculation of the fiscal
impacts of immigration allocates the fiscal costs of
UK-born children of mixed households (one migrant
and one non-migrant parent) 50/50 to migrants
and non-migrants, and not 100% to non-migrants as
the Government has done. Why should UK-born
children be treated as migrants (or as “part-
migrants”) in the analysis of the fiscal impacts of
immigration?
Sir Andrew Green: There are two very clear points
one needs to make on this. One is that there are three-
quarters of a million children of mixed households.
That is where one parent is a migrant and the other
not a migrant. The second point is that the answer on
the fiscal balance depends on what you do with those
children. It is as simple as that. What we say is that
the impact of immigration is obviously to add to the
number of parents and therefore to add to the
number of children, so you have more children in
total as a result of immigration than you would
otherwise have. Therefore we say the logical thing is
to split the cost of the children of mixed families
between the two. I would suggest, Chairman, that
you ask the Government two questions. The first is,
is it correct that they have charged the entire cost to
the host community? The second is, if so, what is the
effect of splitting that cost 50/50? I think you will find
that it comes pretty well to zero. The bottom line is
that the benefit to the Exchequer of immigration on
anything like the present scale is extremely small and
is certainly not an argument for large-scale
immigration.
Q539 Lord Griffiths of Fforestfach: Might I ask two
questions? The first is, what would be the effects of
reducing migrant labour in those sectors which are at
present heavily dependent on migrant labour?
Secondly, could this be done without a significant
cost and therefore higher taxes?
Sir Andrew Green: I think one effect would be to
significantly, and perhaps substantially, increase the
incentive for British employers to train British staff.
The CBI have recognised in their written evidence
and also in their oral evidence that immigration is not
an answer to the long-term skill shortage. I think that
is a very important point. The answer is, I suggest, to
put the training facilities in place and then to allow
market pressures to raise the wages and draw people in. Much of what you heard from the Minister seemed to ignore the existence of a market and the effectiveness of a market over time, which surely is very important. There is another point I would like to make in this connection, if I may, which is that it cannot be done overnight, there will be some disruption, but here is a question: why is it necessary to give a virtually automatic right to settle in Britain indefinitely to people for whom there is a temporary need for their skills? There is no sense in that and I think this may lie at the heart of the whole debate about immigration and the economy. Why not, as many countries do, have a very clear understanding that you can come here for three years, maybe four years, give us your skills, go back to your country, and maybe help your own country. If you want to stay longer, if you want to settle—and of course some people will want to settle for all kinds of reasons—right, you can do so under a points system and under an annual quota. That would, as I will come in a later answer to explain, help very considerably. There is no reason why somebody who is coming for three years should then stay for ever. The statistics demonstrate that roughly 95% of those who apply, having been here five years, are granted settlement. I think we need a new approach. We should have people we need temporarily, we should have them temporarily and there should not be an expectation that they will be here for ever. Many of these people in the City who are incredibly valuable move on anyway, so it is not going to do any harm there. These intra-company transfers the Minister mentioned, again they move on, so I think there is something there, my Lord Chairman, that the Committee might like to reflect upon.

Q540 Lord Skidelsky: In other words, you are advocating for all the people covered by the points system, are you, the status of guest worker?
Sir Andrew Green: Effectively from Tier 1 and Tier 2, yes. The effect of that would be that we would gain the skills, we would have an incentive for employers to train and we would reduce sharply net immigration.

Q541 Lord Oakeshott of Seagrove Bay: You are against large-scale immigration. Is that mainly because of concerns about specific costs associated with immigrants or more general concerns about rapid population growth? We have heard the Government say that they do not have a view on the desired rate of population growth or a desirable level of population in the UK. What are your views on that?
Sir Andrew Green: I think that is an absolutely key question. I think, with respect, there is a lot of complacency in this building about the impact of immigration on our society. Any polling that you look at will give you some remarkable results. It is not enough for the Minister to say that 30% do not care; that is not quite right. 30% are not directly affected by immigration, if you ask that question, but then if you ask how many feel there should be a substantial reduction in immigration, you are then in the 80s. To answer your question more precisely, we have two major concerns. Let me make it clear, we are not opposed to immigration as such; we are opposed to massive levels of immigration, which is quite different. We accept that there is a case for limited migration as a natural part of an open economy, and we welcome that, but when it gets to these enormous numbers, we see real problems of two kinds. One is the quality of life and the other is the stability of our society, and I use that term not lightly. As far as quality of life is concerned, we are now just about the most crowded country in Europe, except for Malta. The Government’s principal projection for population gives nearly an extra ten million in England alone—England I am talking about, not the UK—over the next 25 years. That is equivalent to building the entire city of Birmingham every two and a half years. The last time I went through Birmingham on a train it is a hell of a big city. Where on earth are you going to put it and the schools and the roads and the factories and so on that are associated with it? It is huge—every two and a half years. And 70% of that population increase is down to immigration—immigrants and their descendents. It is not 50%; it is 70%. We have had that disagreement with the ONS. We took them to the Statistics Commission and they confirmed 70%. That is a very important point. So by 2081 those same principal projections (this is not the high migration, it is the principal projection) give nearly 75 million in England alone. I keep saying England because that is where immigrants go to. That is a 50% increase in our population within the lifetime certainly of our grandchildren. The impact is absolutely huge. For housing it can be calculated roughly. We will need to build 260 houses every day of the week for the next 20 years just for new immigrants. I am not talking about existing immigrants, I am talking about new immigrants. In other words, in the time it takes me to answer this question you have got to build a house and then keep doing it for 20 years. It is astronomical. We now have new population projections which raise it even higher. It was one new household in three; it is now about 39%. The Government have not done all the arithmetic yet but that is our straight line projection. Immigration is by far the largest factor. Extra adults are 25%, extra single households—19%, over 65s—17%. So at 39% immigration is by far the largest factor on housing demand. The public does not understand that because the Government avoid the issue, the BBC avoid the issue, but it has to be
faced. Even Professor Nickel who you had sitting here, said that cutting immigration will not solve the housing problem and he got away with it. Of course it will not, but if you knock down demand by 40% it is sure going to help.

Q542 Lord Oakeshott of Seagrove Bay: Could I just come back quickly on that.
Sir Andrew Green: I would like to add a second half.

Q543 Lord Oakeshott of Seagrove Bay: You are using some pretty emotive language there, emotive numbers, stability of our society—
Sir Andrew Green: With respect, these are not emotive numbers. They are the Government’s numbers—

Q544 Lord Oakeshott of Seagrove Bay: Emotive language, I said.
Sir Andrew Green: Let us just be clear; they are the central estimate of the Government.

Q545 Lord Oakeshott of Seagrove Bay: But you are using some emotive language about the enormous numbers and the stability of our society, that is what I am saying. You have had quite a good innings being political, if I may say so, which is not quite how we operate normally here, but can I just pin you down particularly on your figure of about 70% net population growth, I think you said, of immigrants and their descendents. How do you define descendents, because I am bound to say I have been looking round this table, and I was struck earlier when Lord Paul was asking his question about the effect of no net migration, if we look round this Committee, if there were no net migration into England, we would be a pretty thin turn-out.
Sir Andrew Green: It is immigrants and their children but I will send the Committee a note on that; it is quite technical. The second half of what I was going to say concerns stability of society, which you seem to think is political but I think is directly related to the questions that this Committee is considering. There are three points that I would make. One is that we face an entirely new situation. The Government claim that we are a nation of immigrants. That is quite simply untrue. There have only been two significant waves of immigration since 1066. We had the Huguenots in the 16th Century; we have had the Jewish immigration in the 19th and 20th Centuries. Both of those amounted to 1% of the population at the time. Both of them were spread over 50 years. We now have 1% of the population arriving every two years. The present rate of immigration is therefore 25 times higher than at any time in our history. We have to be clear about that. To take a more recent example, the East African Asians—who by the way have done extremely well, as we all know—were 27,000 spread over two years. We are now taking very nearly that number every month in terms of net foreign immigration. You can call that political, but it is a fact and it is the Government’s own numbers, and it would be quite wrong, I think, not to be aware of it when you are talking about the impacts, economic and otherwise, of immigration. Secondly, I would call your attention to Trevor Phillips, who does not himself make any link with immigration but he does describe the situation that immigrants are coming to. He has spoken of “sleepwalking into segregation”. The final report of his CRE last autumn spoke of our society “fracturing”—his words not mine—and I think yesterday morning he said that white flight is accelerating, et cetera. This is outside my field. I simply call your attention to what an expert in the field is saying in public, and I think with a good deal of courage.
Chairman: Our concern as you know is the economic impact.
Lord Oakeshott of Seagrove Bay: And evidence-based. That is what we are trying to do today. We all read the newspapers but that is not what you are here for, Sir Andrew.
Chairman: Could I bring in Lord Best because we do have to move on.

Q546 Lord Best: You spoke about the idea of putting an annual limit or quota on migration to the UK. How, and by whom, should the quota be set? Should quotas apply to certain types of migrants, ie economic migrants only, or to all immigration from outside the EU?
Sir Andrew Green: Well, that indeed is the central question and it is one that you have touched on with the Minister just now. We are in the process of looking at a number of options. One which the Committee might like to reflect on is the concept of balanced migration. That is to say that you work towards a situation in which the number of immigrants is similar to the number of emigrants. Perhaps I might elaborate on what I mean by that. To do that, you would have to examine the various components of immigration and consider what might be possible. There are five categories. The first is asylum, and we would not seek to limit asylum for obvious reasons. Genuine refugees should be welcomed and those who are not should be swiftly removed. There is no question of a cap on genuine refugees. However, the numbers are really quite small now. Those granted permission to stay of all kinds in 2006, including their dependents, numbered 10,000. Net foreign immigration is 300,000, so you are talking about 3% really, but in any case, as a matter of principle, they should not be included. Secondly, marriage—and there was a question earlier, I think, about marriage—again, British citizens should of course be free to marry who they choose provided...
that it is a genuine marriage. We think there is a scope for tightening the regulations on that, but that is outside this particular session I think. Thirdly, students—there is a very strong case for admitting students, again provided they are genuine. They are good for our universities, good for our balance of payments and good for our international links. They are technically immigrants because they come for more than a year, but in practice they leave after three years, the next lot come in, and they cancel each other out. Therefore, if you are talking about net immigration, which is what I am talking about, you can, in effect, put students to one side as not affecting that balance in the medium term. That brings you down to the two major categories, which are EU migrants and non-EU. As far as EU migrants are concerned, they are only a third of net foreign immigration. We expect the numbers to decline in coming years—and I can say more about that if you like—but in any case, as we well know, we cannot place controls on them, so the argument narrows down to where you were earlier with the Minister as to what we do about non-EU migrants. The Government have trebled work permits from 50,000 a year roughly to 150,000 a year. If we were to move to a system whereby, however many we took, the expectation is they simply come for three or four years and then leave, unless granted settlement within the quota, then you get to a situation where these numbers could be brought together and would bring you, we think, although we are still working on it, within sight of balanced migration. We would recommend that as something to think about and maybe to suggest that the Government gives some study to, both because we think it is a good idea but also because of a wider reason which is that there is, I would suggest, a lack of focus in government policy at the moment. There has been a lot of admirable hard work in putting in place the levers that are needed to have a sensible policy, but no policy—at least as far as the public understands it. I think that a policy which said that our eventual aim is to go for balanced migration would be very good for public confidence and would help to ease some of the concerns and tensions in our own society.

Sir Andrew Green: I understand the logic of your question but it does turn on your first statement. If you actually look at the record of immigration, it is that immigration to and from the EU 15 is pretty well in balance. There is a blip when you add some new members and then it goes down again, so the record suggests that as the economic level of the new Member countries approaches the level here, the numbers drop off. In the case of Spain, Portugal and Greece, once they were within 30% of our standard of living, they decided that the sunshine was better. Of course, the East Europeans have got much further to go, that is perfectly clear, but there are a number of factors if I perhaps list them very briefly and no more, because it is central to your question. Firstly, most East Europeans who are likely to move from the A8 have had a chance to do so. Secondly, the number of 18-year-olds in Eastern Europe will decline by 30% in the next 10 years. Thirdly, the other EU countries will have to open their borders in three years’ time. I have mentioned the rising economic level. The exchange rate has gone against East Europeans working here. Finally—and in a sense this is the key point—it is arithmetic. There are at least half a million East Europeans here, probably a million, or approaching that. Not all of them are going to stay for ever. They will start to go home. There are various opinion polls as to how long, but having had a huge inflow in the last three years, we are going to start to see a significant outflow. There are various ways you can model that, and we are still working on it, so I cannot give you a conclusion, but what I am pointing to is that the flow of these events is going to reduce significantly the flow from the new EU, the whole EU, and therefore it is possible and logical on our part to say, let us focus on those countries where we do have powers to control and have a policy that addresses that. That is a long answer but a key point.

Q547 Lord Skidelsky: Sir Andrew, let me clear that I have understood the argument right. The logic of your position is of course to restrict immigration from the EU because you say we expect numbers to be censored but there is actually no limit—it could be one million, it could be two million—and if your concern is with a rapid increase in population and with damage to social cohesion and so forth, then you must be in favour of a limit on immigration which applies to everyone. You cannot simply exempt one category because that would contradict the purpose of your policy.

Sir Andrew Green: On the first one, we support strongly the Government’s opposition to an amnesty. We believe that illegal immigration undercuts British workers and it enables unscrupulous employers to compete unfairly with honest ones. We have four reasons for saying that. One is it is wrong in principle to reward people who for many years have behaved illegally and indeed have benefited from the welfare state in terms of education and health but without paying into it. Secondly, it will not work. We issue two million visas every year and by definition that is
to nationals who might not be going home at the end of it. They come here and they find that wages are between five and 25 times what they are at home, so of course if the present lot of illegals have been given an amnesty, this lot are going to take their place. That is surely obvious. It has certainly been the experience of Italy and Spain. In the past 20 years Italy has granted five amnesties, Spain six. Every time there were more applicants than the last time. Indeed, in the last two amnesties 700,000 in each country applied. Frankly, it is extremely foolish to suggest that an amnesty would help. Thirdly, it is also extremely expensive. The IPPR press release claimed that it would net the Treasury £1 billion. That is completely false. They took no account of the extra cost of half a million people on the books on the welfare state. They also assumed that all those legalised would get 50% more than the minimum wage. We looked at that more carefully. We reckon it will cost between £0.8 and £1.8 billion and in later years £5 billion. Plus—this brilliant idea—it adds half a million people to the housing lists for social housing. They have already gone up from one million to 1.5 million in the last five years or so. That would then be another half million. Finally the proposal is, as I understand it, after ten years you grant these people citizenship. How do you know? The proposal is, as I understand it, after ten years you grant these people citizenship. How do you know they have been here 10 years? By definition, they are undocumented. Thus I think the Government are absolutely right to oppose it very firmly indeed. On your second point about GDP per head, I think your evidence is pointing to the fact that it is pretty small. You can produce more sophisticated attempts—

Sir Andrew Green: Well, he tried, and there may be something in it, but the burden of my song really is that you have to have a balance between such benefits as there may be from immigration and the costs, which I have outlined and which, as I say, I think are relevant in reaching that balance.

Lord Lawson of Blaby: Presumably the Government is in the process of introducing this new points-based system partly to get what I think the Minister called a better mix but also, without giving any numbers, to exercise a tighter control over the overall numbers. What is your view of the system that they are proposing?

Sir Andrew Green: Well, first of all, it is described as an Australian system, but it is not—for a key reason, which is that the Australian system has a limit. That is the point of it. This one does not have a limit. Secondly, it is not a huge change. What they have done is to replace a set of criteria by a system which would actually give you sufficient points if you met the same criteria, so it is a very limited change. There are some risks that it will be overwhelmed by applications because it is now much easier. You will be able to go on the website and see if you qualify. The American quota for H1B visas for Indians of 65,000 was filled in the first day, so I think the Home Office needs to be aware of that possibility. The essential point is both the two tiers you were talking about with the Minister, Tier 1 and Tier 2, lead almost automatically to settlement, so it brings you back to the point I made earlier; why, if the need for them is temporary, are we giving them permanent settlement? I think I will leave it there.

Q552 Lord Lawson of Blaby: As I understand it, that may well apply to Tier 2 where the “need” is temporary, or at least there is no guarantee that it will last, but Tier 1, as I understand it, is not based on that sort of thing at all. It is based on getting people of considerable quality who will be given permanent settlement because it is felt that they contribute and it is nothing to do with anything temporary. That aside, you have said that, in your opinion, there should be immigration but it should be limited so that there is no net immigration, so the population remains static.

Sir Andrew Green: Broadly.

Q553 Lord Lawson of Blaby: What criteria would you advocate for the immigration which you think should be permitted?

Sir Andrew Green: Well, I think that, in a sense, flows from what I have tried to describe. It is a moderately complex picture with different kinds of immigrant which you have to treat in different ways, as has come out very clearly this afternoon. What I am advocating is that the Government should have a policy and that that policy should have an objective and that objective should be understood by the public. If you take balanced migration as an objective, then you can direct your various policies in that direction. I do not think that they have got to that point yet. There is a very positive case for lower immigration which is not often made. It would provide better training; it would provide higher
productivity; there would be more opportunities for older workers, for the long-term unemployed, for holiday work; you would get greater mobility within the UK; you would have steadier house prices; and you would have less pressure on public services, less on the environment. Although it is outside your terms of reference, I think you would have much better prospects for integration. There is a really positive case for looking at a way in which we can have a moderate level of migration with which we can all be comfortable. I think I was ruled out of order when I was about to give you the public opinion figures but they are very, very strong. My view would be that we are not going to get effective integration unless we take the sting out of this, unless we take people’s concerns out of it. Two-thirds of the public are concerned that we are losing our own culture. That is a very big number and I will not go into the other big numbers but you all know them. In that situation, it seems to me what we need is a Government policy that says, “This is the way we are going; we are going to get it under control.” I think at the moment it is just too diffuse.

Chairman: Sir Andrew, thank you very much for your evidence and my apologies once again for the delay in your being able to give it.

Supplementary memorandum by MigrationWatch UK on Housing

1. The recently revealed inflexibility of housing supply and a major increase in the immigration projection point to even greater pressures on the housing market, especially for first time buyers who will face still higher prices.

2. An independent report just published by H M Treasury\(^{75}\) examined the reasons for the under supply of housing in the UK. It suggested that we need to build an extra 39,000 houses per year, even without allowing for the replacement of the existing housing stock. It found that there was a weak response of housing supply to changes in demand. It continued “higher demand therefore tends to be translated into higher house prices rather than increased output of houses.”

3. The report dealt only with supply. Its estimates of demand were based on a seven year old population projection.\(^{76}\) International migration is nowadays a major factor in household projections. Indeed, these projections indicated that, over a 25 year period, a variation of +40,000 on net migration would add about 450,000 new households—or 18,000 a year\(^{77}\).

4. Net migration in 1996 was projected at 65,000 per year, thus accounting for 29,000 of the 39,000 shortfall estimated by the Barker Report. However, the latest official projection for net immigration is 103,000 per year\(^{78}\). The extra 38,000 immigrants translate, on the same basis, into an additional housing requirement of 17,000 per year. This suggests a shortfall in housing of about 56,000 a year (39 + 17), about 80% of it due to net inward migration.

5. The picture would, of course be even worse if the projection turned out to be an underestimate and net immigration continued at the average level for the last five years of about 158,000 a year (excluding illegal immigrants). In this case the housing shortfall would be a further 25,000 bringing the total shortfall to 81,000 a year, 87% due to net migration, with a corresponding effect on house prices.

16 November 2007

Supplementary memorandum by MigrationWatch

INTRODUCTION

1. The government have self evidently lost control of our borders. They have also, by their own policy decisions, stimulated massive levels of immigration. Over the past five years they have produced a series of highly questionable economic arguments (Annex A). The Committee’s enquiry has now obliged them to state their case in full. This note examines the government’s key arguments.

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\(^{76}\) Ibid page 40 footnote 3. Household demand was based on the 1996 population projections.

\(^{77}\) Housing statistics. Projections of households in England 2021—Office of the Deputy Prime Minister—Table G7

\(^{78}\) Issued on 18 Dec 2003
Impact of Immigration on GDP per Head

2. The government now accept that this impact is “small but positive”.79 Their evidence80 estimates that, in 2006, immigration added £6 billion to GDP. The UK’s GDP in that year was a little under £1,300 billion, so the addition was just 0.46%. This estimate was based on a net inflow of 185,000 migrants which would have directly added 0.31% to the UK’s population. Thus the addition to GDP per head in that year was 0.15% which, if spread evenly across the population, would amount to about £32 a year per person or 62p per person per week. In fact, the population increase resulting from migration will become considerably higher as the migrant population has UK born children.

3. The paper admits that “there is no quantitative evidence available on the impact of immigration on GDP per head”. It continues, “Wage data suggests that the migrants may have a positive impact directly through their own output and indirectly through raising the productivity of others”. It is true that migrant workers, on average, earn more than the UK born but this is very largely off-set by lower labour market participation rates (see also para 5 below).

Fiscal Contribution of Migrants

4. We have already demonstrated (and the government do not deny) that a positive result can only be obtained if the costs of ¾ million children of mixed parentage (one immigrant, the other UK born) are charged entirely to the host community. The more logical approach is to split these costs 50/50 since the entry of migrants results in more dependant children. This leads to a small negative fiscal impact. It should also be noted that personal remittances from the UK have risen to about £10 million a day.81

The Impact of Immigration on Productivity

5. The report suggests that because the mean wage for foreign-born workers is higher than for UK-born workers (£424 per week compared with £395) “migrants have higher productivity than UK workers”. This takes no account of the fact (highlighted later in the report at paragraph 5.4.1) that their employment rate is 68% compared to about 75% for the UK-born. Taking these two measures together suggests that the productivity per foreign-born person of working age is slightly less than that of the UK-born.

Pensions

6. Since the government paper was submitted, new 2006 based population projections have been published which take account of the increase in the pension age to 68 by 2056. These also assume, as their principal projection, a long-term net immigration rate of 190,000 per year. We estimate that under a balanced migration scenario, in which the numbers of people emigrating and immigrating are broadly similar, the percentage of the population of working age would fall from its current level of 59.6% to 57.3% in 2056 as compared to 58.9% under the government’s principal projection; surely entirely manageable.

Housing

7. The report notably failed to comment on the impact of a rapidly rising population. The most obvious impact is on housing where the latest government projections showed migration contributing an average of 73,000 households a year to the projected rise of 223,000 each year between 2004 and 2026 (one third of the total). The latest population projections assume that net migration to England will increase to 171,500 a year. This is likely to raise the number of households formed to 246,000 a year of which immigration will contribute 96,000 or 39%. This will add enormously to future infrastructure requirements.

Conclusions

8. The Home Office study reiterated many of their previous arguments, most of which are either wrong, misleading or irrelevant. In particular, they were unable to show that immigration has significantly raised GDP per head. We conclude that the overall economic benefit of migration is small and heavily outweighed by the implications of adding 18 million to our population in the next 50 years.

79 HL 211 26 Nov 2007 Col WA102
80 The economic and fiscal impact of immigration CM 7237 page 11
81 HL 212 19 Nov 2007
9. Limited, high skilled migration can of course be beneficial to the economy. For some industries, such as pharmaceutical research, it may be critical to the industry’s success. It should, however, be possible to attract such talent whilst maintaining a broad balance between immigration and emigration. This would provide some useful economic benefit whilst avoiding the massive rise in population which current immigration policies entail.

Annex A

FOUR FAVOURITE FIBS

(THE GOVERNMENTS SHIFTING ARGUMENTS FOR LARGE-SCALE IMMIGRATION)

1. 600,000 vacancies need to be filled
Disproved by the facts. Net immigration since 2001 when the government first made this claim is approaching 900,000 but vacancies are still at about 600,000. The reason is that immigrants fill jobs but also create demand. To argue from vacancies is therefore to advocate an endless cycle of immigration. It is also to fall into the “lump of labour” fallacy.

2. Immigrants comprise 8% of the workforce but contribute 10% of GDP
Rejected by the Statistics Commission. This takes no account of the higher unemployment among immigrants and the lower participation by women. Correcting for these factors shows migrants making up 10% of the working age population and contributing 10% of GDP.
In May 2006, the government revised their claim to 10.5% of adults and 11% of GDP. (House of Lords answer HL 5379). Even this calculation was biased by the omission of children. Correcting for this omission gives 11.2% for the immigrant population and 10.9% for their contribution to GDP—slightly negative.

3. Immigrants earnings are 13% higher than those of indigenous workers
Dismissed by Statistics Commission for the same reason. Correcting for lower participation rates and higher unemployment among immigrant communities makes average wages across the working age population of immigrants the same as for the population as a whole. Only about one in five of the foreign born population earns more that the average salary for full time work—the same proportion as the UK born.

4. Immigrants are needed to pay our pensions
The House of Lords Economic Affairs Committee dismissed this argument in November 2003. They reported “We conclude that . . . it is neither appropriate nor feasible to attempt to counter the trend towards a more aged society in the UK through a manipulation of immigration policy”.
The Turner Commission on pensions reached a similar conclusion in their interim report.

9 December 2007

Supplementary memorandum by Migrationwatch UK
on ITEM Club Special Report: Migration and the UK economy

Ernst & Young published on 18 December a special report on migration and the UK economy.
The press release, entitled “Foreign workers have allowed 3% growth without inflation”, was relentlessly positive but there were some important points in the report itself that were not highlighted in the release:

a) Immigration numbers
The report confused various terms, claiming that A8 immigrants accounted for 37% of “arrivals” in 2006. In fact they were 15.6% of the total inflow and 18% of the non British inflow. They were 22% of net foreign immigration.
b) GDP per head

The report admitted that the lower wage rates of the most recent immigrants implied that the rise in GDP per head (rather than GDP) might be small or even negative.

c) Outlook for growth

The report stated (page 5) that, over the period 2007–16, “immigration at current levels, should it continue, would add about 0.3% per annum to trend growth”. The report did not mention that immigration at current levels will add approximately 0.4% annually to population. The impact on GDP per head would therefore again be somewhat negative.

d) Impact on youth

The report recognised (page 9) that there had been a “surprising” rise of around 100,000 in unemployment in the 18–24 age group (excluding those in full time education) since early 2004. This accounted for about half the overall rise in unemployment over the period. The report thought it possible that “native” youngsters may have been losing out in the battle for entry level jobs. Rigidities arising from the minimum wage might have been another factor. The press statement quoted the Chairman of Ernst & Young as saying that “business has to do something to address the fact that the UK has one of the lowest levels of youth employment among all the major OECD countries and re-engage with a lost generation who have slipped through the net”.

e) Productivity

The report notes that total factor productivity growth (that part of actual growth not explained by the growth of labour and capital inputs) between 2002 and 2006 totalled 0.8%—“below the 1.2% seen in the 1995–2000 upswing and also below the long term average (since 1973) of 1%”. This is a significant result.

f) The alternative

The report notes that we do not know what would have happened to domestic labour supply in the absence of increased immigration. “It might have proved surprisingly elastic via increased participation rates in marginal groups”. This, as the report acknowledges, was the case in the late 1980s.

CONCLUSION

The press release states clearly the view of the Item Club:

ITEM believes it is important that current and future governments continue to keep an open mind and open doors to economic migrants. The UK economy needs the current rate of growth of immigration to be sustained particularly as our UK-born working pool is growing more slowly than the pensioner population.

Unfortunately, much in this report is evidence in the opposite direction. As for the implication that immigration can help with pensions, The House of Lords Economic Affairs Committee dismissed this argument in November 2003. They reported:

“We conclude that . . . it is neither appropriate nor feasible to attempt to counter the trend towards a more aged society in the UK through a manipulation of immigration policy”.

1 January 2008

Supplementary memorandum by Migrationwatch UK on the cost of pensions

1. The Institute of Public Policy Research (IPPR) recently provided evidence to the Committee suggesting that the dependency ratio would increase sharply under a balanced migration scenario and would “put the equivalent of 9p on income tax by 2036”.

2. This is massively distorted for two reasons:
   — It used the 2004 rather than the 2006-based population projections.
   — It confused zero migration (no migration at all) with zero net migration (or “balanced migration” where immigration is equal to emigration).
3. The use of 2004-based population projections means that the assumptions about fertility and mortality are now out of date, as are the resulting dependency ratios. Second, the 2004-based projections were produced before legislation was passed to raise the state pension age (in stages) to 68. This effectively moves about 2.5 million people from the “dependants” category into the “working age” category.

4. Immigrants tend to be young adults whilst emigrants are predominantly older. Thus, under a balanced migration scenario, dependency ratios are improved by replacing older people with younger.

5. The impact of these two factors is very large. The IPPR’s erroneous calculation give a dependency ratio of 86.2% in 2074 under what they thought was balanced migration. On a correct calculation, the dependency ratio will rise to only 71.3% in 2081 from its current level of 60.7%. Under the principal population projection it will rise to 67.7% but the population would be 21 million higher at 85.3 million. Thus 5.7 million extra people would be required for each 1% reduction in the dependency ratio.82

6. The IPPR are also wrong to claim that zero net migration is likely to lead to a falling population. In fact it will increase to about 65 million in 2056 and then decline very slowly to 64.3 million in 2081.83

7. We conclude that the IPPR’s calculations grossly overstate the benefit of high levels of migration on dependency ratios and on tax rates. By contrast their impact on population density and hence on our quality of life will be immense.

11 January 2008

82 Section 6 of Prof. Rowthorn’s submission to the Committee entitled “Commentary on the Cross-Departmental Submission to the House of Lords Select Committee on Economic Affairs”.

83 Ibid—Table 1
TUESDAY 22 JANUARY 2008

Present
Best, L
Lawson of Blaby, L
Layard, L
Macdonald of Tradeston, L
MacGregor of Pulham Market, L

Moonie, L
Turner of Ecchinswell, L
Vallance of Tummel, L
Wakeham, L (Chairman)

Examination of Witnesses

Witnesses: Professor David Metcalf, Chairman and Mr Mark Franks, Secretary, Migration Advisory Committee, examined.

Q554 Chairman: Thank you very much, we are most grateful to you for coming to help us with our inquiry. I am always asked to say to anyone who comes, will you speak up and speak clearly and relatively slowly, so we get as good a record of your answers as we can. I wonder if you would, before we start, like to introduce yourselves for the benefit of the broadcasters who are recording this session. Would you like to introduce yourselves, and then we will get on with the questions.

Professor Metcalf: I am David Metcalf, I am the Chair of the Migration Advisory Committee and I work at the London School of Economics.

Mr Franks: I am Mark Franks, I am the Secretary to the Migration Advisory Committee which means that I manage the small team of officials and analysts that support the committee.

Q555 Chairman: Do you want to make a statement before we start or can we just go straight into the questions?

Professor Metcalf: I discussed this with Mark previously and, on balance, decided not to make a statement because we think anything to do with it will come out in the questions.

Q556 Chairman: That is absolutely fine. If I may start, I wonder if you could outline how the Migration Advisory Committee will define and identify labour and skills shortages in the United Kingdom. You might in the course of your answer just touch on the question of Tier 1 and Tier 2 and so on because some of us know about it but others are less clear.

Professor Metcalf: Let me touch on Tier 1 and Tier 2 at the very beginning then. Tier 1 is essentially, from the supply side, very highly skilled migrants being able to come without a job offer, depending on their qualifications and their earnings in their home country. Tier 2 is on the demand side. Tier 2 requires the employer to be on the sponsors register and for the person who is coming to have a job offer, so it is analogous to—it is not the same as—the present work permit system. Within Tier 2, as we probably will get in to later questions, there are essentially two mechanisms by which people will be able to come in. There is one set of mechanisms which gives automatic entry, including if MAC defines the occupation as a shortage, but there is another mechanism where, if an occupation is not defined as a shortage occupation, nevertheless providing you meet certain requirements, particularly the thing that is called the resident labour market test, the individual will be able to come in, subject to meeting the points criteria. If I have not been clear perhaps you can ask questions.

Q557 Chairman: We will come back to it.

Professor Metcalf: In terms of defining the shortages—many of you are economists and have dealt with difficult questions—the whole notion of shortages is a bit of a slippery concept. You would expect an equilibrating mechanism, so you would expect in time that there would have been some price changes, in this case wage changes, to eliminate the shortage, but it may take time and wages might be sticky, that would be true in the public sector, it may take time for an employee to acquire skills. You would expect, as you move towards some sort of equilibrium, a shortage occupation should be exhibiting rising employment, rising relative pay, and low or falling unemployment. That is the concept. How to identify it? First of all, of course, one has got to look for the alternative sources of the labour supply. Up-skilling of the unemployed or the existing workforce, possibly from the EU, possibly family reunions, and of course other immigration. The MAC will influence some immigration, but the new Tier 1—there will be a lot of very highly skilled people coming through that; there is also the question of the existing work permit holders, for example, what happens to them in the transitional arrangements? The numbers there will potentially form an alternative source of labour supply, so the first thing you have got to do when considering this is to look at the alternative sources of labour supply. But, having done that and thinking about the shortages, we have converged to essentially two ways of thinking about
it and then to try and dovetail them together, what we have called top down and bottom up. Top down is using national data, things like the Labour Force Survey, the ASHE (the earnings survey) for example; considering then by occupation at as fine a level of disaggregation as you can get—as an aside, that is a problem—but considering things like wage changes, relative wage changes, returns to education, returns to particular qualifications—that is on the prices side—then on the quantities side things like vacancies. One of the members of the committee has done a lot of what in the old days would be called manpower planning—and we are not a manpower planning committee. I make that very clear, but in terms of thinking about movements in labour supply and labour demand by occupation he has got considerable expertise and it may be useful to use that—possibly looking at the extent of overtime hours and changes in overtime hours, earlier promotions and so on and training expenditure. There are a lot of indicators; that is the top down. We also want to do bottom up for a number of reasons. One reason is that on the top down you are not going to be able to disaggregate very much beyond what, in the jargon, is an occupational classification of four digits, essentially a civil engineer, for example. You will not be able to get down to, let us say, contaminated land engineers, which is a present shortage occupation, so the level of disaggregation is limited, hence the bottom up. In the bottom up, as you know, the sector skills councils—which I used to know as industrial training boards—have done a lot of good work in terms of being very careful and enhancing our understanding about their labour markets, and it is they, through advisory panels, who presently feed into the work permit people, the Home Office people, about their particular labour markets, and that gives some hint about how the work permits should be defined when they are thinking presently about shortages. We are going to go about doing the work slightly differently, but I very much want to draw on the expertise that these sector skills panels have got. I used to be, as Lord Turner knows, a member of the Low Pay Commission and we always made sure that we visited all the regions of the country in a year; we are going to do that on the MAC. We have to report by June, so we will do that before June because you have got to see what is happening. We will also have a stakeholder panel and forum, so there are plenty of ways of trying to make sure that we get something a little bit more finely grained than the top down method. We will revise the shortage occupation list—that may come up later—in due course, but the dovetailing of the top down and the bottom up is a challenge. In terms of the four digit occupations, the most disaggregated you get is 353—they are called unit groups—things like civil engineer, but within that there are 26,000 job titles, within the 353. In many ways people think about shortages, as in contaminated land engineer, BAA aeronautical engineer—they think about shortages at that level of disaggregation, so dovetailing those is going to be a task which we will have to deal with when we get properly to work. We have only had one meeting; we were only properly established in late November.

Professor Metcalf: On “wait and see”, that is the merit of using so many different indicators, because if you use the top down indicators and you are looking both at prices and relative earnings movements and you are looking at many of the quantity indicators, if you get a whole array of indicators really suggesting that there is a shortage, that hints that we probably have already waited a little. On the short term, that is a very important point and a very good example of that is what has happened in health where we did have, on the shortage list, for three or four years a very large number of medical occupations—doctors and lower occupations like nurses and others below doctor level—but because now we have trained the requisite number of people the shortages has been alleviated.

Q559 Lord Lawson of Blaby: There is a surplus now; they cannot find jobs in the UK and they go abroad.

Professor Metcalf: It is a nice question, but I am not sure that one would have wanted to wait and see in terms of filling, albeit in the short term, any of these doctor posts or nurse posts because it made, of
course, considerable difficulties for the operation of the health service.

Q560 Lord Lawson of Blaby: I am sorry to persist with this question but are you going to take a view as to whether a shortage is a temporary one or whether it might last a long time?

Professor Metcalf: We are, but not in the way you suggest, because we will revisit the shortage list. We will go back and evaluate. We are still discussing what sort of cycle to do this on, but in some cases we will possibly look at things in six months time and in some cases perhaps a year or two years time, but where one has got good cause for thinking, let us say, that a shortage has been completely alleviated, possibly as you say gone to a surplus, one would want to get that occupation off the list as soon as possible. The whole point of having this system, as I understand it, having talked to officials and the minister, is in order to be very flexible, and that certainly will be our intention, yes.

Q561 Lord MacGregor of Pulham Market: How can we ensure that the London Olympics and perhaps other big infrastructure projects encourage government and employers to invest in domestic skill development rather than just creating a demand for more migrant workers? Can I add to that, following on from Lord Lawson’s question, clearly some of these big projects, especially the Olympics, create a huge short term demand; how would you cope with that in relation to workers? In addition, we do see with the Olympics, for example, that a lot of it will be directed to one region and we do see a lot of the migrant workers focused on certain regions. How do you cope with the situation where there may be a surplus in one but shortages in another?

Professor Metcalf: First of all, I can say that we have not been asked as a MAC to study the issue of the Olympics. It is possible that in later questions you may ask what we are going to be doing in the future, as it were, but we have not been asked at this stage. Clearly, it is in the news and in a way of course it is not just the Olympics, it is also Crossrail and the big push for housing in the South East as well, which probably has got rather similar consequences. To the extent that some of the jobs which will be required for the Olympics and for Crossrail are Tier 2, where the skill level is NVQ Level 3 and above—I am sorry, I omitted to say that earlier—which is essentially two A-levels and above, there is to be no immigration in jobs below that level other than through the EU, none from outside the EU. Tier 2 is therefore not the EU, but NVQ Level 3, two A-levels and above. Some of the occupations that we are going to be talking about will be of that skill; how do we go about analysing that? Essentially we do three things: number one, we check the skill level of the job; number two, is there a shortage?—and, then, is it sensible to fill it by immigration? We go about that in the same way as before. In Tier 3, of course, which is probably the more important concern in this, can we not use British workers for doing some of the less skilled jobs but still requiring some qualifications? One would certainly want to see whether or not it can be sensibly filled by British employees, but the worry that one has about this is the inevitable tension between the short run and the long run. If we are talking about the Olympics having to be on stream by 2012 and therefore the facilities having to be built by 2011, a modern apprenticeship is three years, so even with the best will in the world, if you find some mechanism to get a lot of up-skilling going on as a consequence of the large amount of money that is going to be pumped into these projects, it is not automatic that you are going to get the skilled labour coming on stream in time to build the facilities. Equally, Lord MacGregor, I understand exactly where you are coming from, that to the extent that one does not have some requirements to get the up-skilling of our own people, the employers have got very little incentive then in order to do the up-skilling, they will try and get it through the immigrant labour. It is not a matter for MAC but, speaking personally, I was always attracted to the old levy-grant system in terms of industrial training. When you give a contract why do you not require a certain percentage of that to be spent on up-skilling, for example, put it in the contract? That is not a MAC thing, that is a personal statement.

Q562 Lord MacGregor of Pulham Market: What about the regional shortages and the upsurge in demand?

Professor Metcalf: The MAC is tasked to produce a national shortage list and also, as I understand it, because of the demographics, also a list for Scotland. We will be visiting Scotland as a committee in March just to talk to other people but, having said that, I am well seized of the fact that there are whole issues about, in a sense, regional mismatches. London First has already been to talk to us, for example, about this and I have met some other people in London about this, so we will certainly want in our report for June to allude to all of this, but actually it is going to be quite a task to do the national shortages. If we were asked—and we have not been—to deal with the whole issue around the Olympics, Crossrail and so on, the shortage may be in London but it may have knock-on consequences of sucking labour out of other regions as well and what that does to the regional skill level. That is the sort of thing that we would wish to analyse if we were asked to do it.
Q563 Lord Best: I do not know if I am missing this, but are you saying that the threshold for Tier 2 jobs would be the equivalent of two A-levels or NVQ 3; if you are, then we are not talking in terms of the Olympics, for example, being very much about Tier 2 then, because the vast majority of jobs on the Olympic site are not going to require two A-levels.

Professor Metcalf: There is a very, very good literature, which I am not super-familiar with, about mapping from qualifications to skills. I agree that many, many of the occupations will be labouring, but also there will be other occupations. NVQ Level 3, for example—I checked all this over the work—covers a construction site supervisor, a technical design person, a skilled plumber, and we probably would need for Crossrail and some of these other big projects quite a lot of these people, but disproportionately. I agree, we are talking about Tier 3, which is the residual, and presently that tier is suspended because it is held that we can get all the labour we require from within the EU. Therefore, if the MAC were asked to look at this, the large question would turn on should the suspension of Tier 3 be lifted?

Q564 Lord Turner of Ecchinswell: Tier 2.

Professor Metcalf: No, the suspension of Tier 3, which is presently suspended for outside the EU.

Q565 Lord Macdonald of Tradeston: Compared to the current work permit system for skilled workers, how do you expect the introduction of Tier 2 of the new points-based system to affect the number and selection of migrant workers coming to the UK?

Professor Metcalf: I gather you are talking to Professor Salt after us and John Salt is the world expert on our work permit system, probably even more so than some colleagues in the Home Office, but let me deal with this. First of all, let me rehearse that work permits are not just work permits, as it were. The total number of work permits issued consists of four strands: new work permits, first permissions—say an immigrant student switching to work here—extensions and a job-switcher. Within some of those categories, you have also got intra-company transfers where people are brought in within a company. The total number of work permits issued last year was 146,000, of which 78,000 were new work permits. That is just to put it into some context. In terms of the numbers coming in, this will turn on the calibration of the points, and the comparison of the old system and the new system will turn on the calibration of the points. The calibration is three-quarters decided but not completely decided—I believe you had the minister here last week—and there will be a statement of intent on Tier 2 coming out in March which will then set out the points system. On the basis of what we have so far, let us try and see what will happen to the numbers. First of all, there is one initial hurdle, the English language test, so that ought to reduce the numbers. There are three automatic routes that you can come in under Tier 2 and the first is if our committee says it is a shortage occupation, then yes you can come in. The second one is these intra-company transfers, of which presently there are quite a lot, maybe of the order of 40,000, so quite a large number. The rules on that are going to be almost identical in the new system to the old system, and the third automatic route by which you will be able to come in is there is going to be a pay threshold and if the job pays above a threshold—this has not been decided yet, but a figure I have heard talked about is £40,000—if the job pays above £40,000, then you will be able to come in. There are three automatic routes, therefore, and it seems to me that the intra-company transfers will be very much the same. Until the MAC has done its work, it is hard to say whether the shortage list will be, as it were, a wider one or a smaller one; I know we will go about it very rigorously but until we have done the work we cannot say that. It is more on the alternative routes to coming in under Tier 2, not the automatic routes, where you are going to get the changes. The alternative route is you have to get 50 points and the way you get 50 points is you must pass what is called the resident labour market test. The resident labour market test is basically to ensure, number one, no displacement; number two, no undercutting. So you have to advertise the job at the going rate—whatever that is these days—for the occupation. My understanding is that this resident labour market test is going to be much more rigorously enforced than perhaps it has been in the past. This is going to be done partly because the employer has got to be on the sponsors register, and if the employer is, for example, undercutting or, say, ignoring replies to any advertisements and they get found out, they can be deleted from the sponsors register; also, the fine levels are very substantial for misbehaviour. Therefore, the enforcement of the resident labour market test is almost certainly going to lead to there being fewer immigrants in this category than there otherwise would be. I cannot say “than there would have been before” because the trend in immigration has been up in recent times so you cannot say that, but compared to what it otherwise would have been it will be smaller. Therefore, the two crucial things that will affect it and make it a bit tighter are the English language test and the more rigorous operation of the resident labour market test.

Q566 Lord Turner of Ecchinswell: With apologies if I am going through a fact base rather than asking a question, can I first ask for what I hope is final clarification of Tier 1, Tier 2 and Tier 3 and just see if I understand it correctly. As I understand it, there are
two dimensions going on here. There is Tier 1, Tier 2 and Tier 3, which are defined fundamentally in skill terms.

*Professor Metcalf:* Yes.

**Q567 Lord Turner of Ecchinswell:** And then there is a set of things where there are sectors/qualifications which are in shortage.

*Professor Metcalf:* Yes.

**Q568 Lord Turner of Ecchinswell:** How is Tier 1 defined? Did I understand you to say that at Tier 1 there is completely free movement, independent of whether you have defined an area of shortage, and at the other end is it clear that at Tier 3 at the moment, independent of whether you define a shortage, there is no entry? Tier 1 is total entry independent of the shortage. Tier 3 is no entry other than the EU where there is obviously free movement, independent of the shortage, and then Tier 2 is intermediate, is that correct?

*Professor Metcalf:* Yes, it is, I can elaborate a bit, but what you have said is correct.

**Q569 Lord Turner of Ecchinswell:** Tier 1 is defined by what skill level?

*Professor Metcalf:* The calibration of points means you have to get 75 points and you get points according to your age—essentially under the system the younger the better—your qualifications and your earnings in your occupation in, say, China or India.

**Q570 Lord Lawson of Blaby:** And the English language presumably as well?

*Professor Metcalf:* Yes, you have to speak English. There is discussion going on within the Home Office because clearly you have got to allow for the fact that if you are in China your earnings are going to be in exchange rate terms or PPP terms that much lower, so they are going to have some multiple about that. You have to get a certain number of points and then you can come in.

**Q571 Lord Turner of Ecchinswell:** My second question then is to zero in on Tier 3. Tier 3 at the moment is excluded from non-EU immigration. Will you nevertheless be asking the question whether there are shortages in Tier 3 skills/jobs?

*Professor Metcalf:* No, not at this stage.

**Q572 Lord Turner of Ecchinswell:** The final question, if I may have one final question. In the first answer to Lord Wakeham’s question, you were trying to explain your approach and, to a degree, I think that essentially you are looking at the price elasticity of the response, both in the short or the long term, in that where you have something which has a very high short term price elasticity response it is close to a quantitative shortage, i.e. we are short of contaminated land engineers, there is almost no price at which we will be able to fill that short term, but there must be others within Tier 2 where there is a price at which it would be forthcoming. If that is the case, how do you make that judgment, how do you decide the price elasticity, above which you say there is a shortage rather than saying there is not a shortage, let the price mechanism work?

*Professor Metcalf:* You are being too kind if you put it in quite so technical terms as dealing with elasticities, but implicitly that is exactly what we are doing. The fact is we have not done the work yet, but we have thought about this and this is why we are doing both the top down and the bottom up. The top down will provide a lot of what Lord Turner is suggesting in terms of looking at the movements in the relative earnings, the sorts of numbers which, let us say, the sector skills councils say they need—although I do not like the word “need”—which is the standard way that they do it presently, looking at that and looking to see what has been the change in the relative earnings recently. There was a very interesting letter in The Times a couple of weeks ago—I am sure Lord Lawson would have read this and laughed—where a man wrote about engineering and said there has been a critical shortage for 20 years and the earnings are still much too low. If there has been a critical shortage for 20 years, it is just not on, so we will look at that and make a judgment about it, but that, if I may say, is why we think the bottom up is so important because the way in which we can begin to inform our judgment is indeed by talking to people.

**Q573 Lord Turner of Ecchinswell:** One of the most difficult things for you would be the short term versus the medium term.

*Professor Metcalf:* Yes.

**Q574 Lord Turner of Ecchinswell:** If you believe that in that Tier 2 shortage some increase in wage which is not astronomical, it is 10 or 20%, not three times, not immediately but within three months to six months supply would come forward from switching or new skill acquisition, will you or will you not declare that a shortage? That is going to be the most tricky judgment you have to make, is it not?

*Professor Metcalf:* It is a tricky judgment, but one of the things which I perhaps should have made more clear at the very beginning, but I did not want to talk too much, was we would only be suggesting to fill the shortages when they can be “sensibly” filled by immigration. Ostensibly, that takes us on to a number of different things, but the possible employer responses—making the job more attractive through wages or conditions, for example, making the job
more capital-intensive, if that is possible, maybe altering the composition of the output—are things that we would have to consider. In how much detail we can go into that, given the number of occupations we may be dealing with, is as yet an open question. But, Lord Turner, you are absolutely right, we would wish to consider this and our intention is to do so.

Q575 Lord Layard: You have told us quite a lot about the criteria for Tier 2. I wanted to pursue one particular thing on the resident labour market test because, as I understand it, under the work permit system, if an employer says he has advertised a job for a month and has not been able to fill it, he can pretty much get a person there. Is that going to change or how many points will go to an employer who says that, can you more or less get the 50 points with that and not much else?

Professor Metcalf: It will change because my understanding, from talking to colleagues in the Home Office, is that it is going to be more rigorously enforced, but let me just set it out. This is Tier 2, NVQ Level 3 and above, must be able to speak English, it is not the automatic routes, it is the non-automatic route. How do you get in? You get in through a combination of the resident labour market test; if you pass it, you get 30 points. In order to get to your requisite 50 points, it is a combination of your qualifications and your pay—there are up to 15 points for qualifications and there are up to 20 points for pay, but as long as you can get another 20 points if you pass the resident labour market test you can get in. You cannot get in under Tier 2 non-automatic unless you pass the resident labour market test. The resident labour market test is both not displacing, because of the advertising, and not undercutting. You pass the resident labour market test and, as long as you have got a certain level of pay and a certain level of skill, you get your 50 points and then the employer can bring the person in. My understanding is terms of the alterations is that, first of all, it will be more rigorously enforced, but secondly the way in which the system has operated in the past is that, first of all, the shortage occupations were not probably as rigorously analysed—indeed, that must be the case because otherwise they would not have set the MAC up—and the way in which perhaps the resident labour market test was handled was not as rigorous as now.

Q576 Lord Layard: Can I just follow that up? How big a part of the total up to now has this been and how big a part do you expect it to be in the future? Secondly, can you not more or less pass the resident labour market test by advertising and just deciding you do not like the people who apply?

Professor Metcalf: Let me deal with the second one first of all. That is indeed an issue which is why I have raised the point about the better compliance and the fines because although there is some enforcement presently—and I have talked to the work permit people up in Sheffield—I am not overly sure about the extent of the enforcement. It is certainly true that the compliance regime is being beefed up but it is possible—I am not saying that this happens regularly—that some people are looking at the system presently, they are making the requisite adverts but they may not be taking the responses to the adverts very seriously. In the new system if they were found to be doing that they would run the risk of being struck off the sponsors register and then they would not be able to bring anybody in, so I think that the operation of the new system is likely to yield a bit more rigour. In terms of the numbers, it gets a little bit tricky because most of the numbers are immigrants who are greater than one year—that is the standard definition of an immigrant—and the numbers coming in for work or looking for a job for that last year were 231,000 and they were 39% of the gross inflow. The work permits, of course, are not done on the same basis because a work permit can be issued to somebody coming in, let us say, for six months, but just to get a rough benchmark figure to try and make a comparison, the number of work permits that were issued were 95,000 last year, so that is of the order of 40%, two-fifths of the workers coming in. Of those, what Lord Layard is asking is presently how many of those are shortage? The fraction which is presently on the shortage occupations list is not huge; the intra-company transfers are rather large but I do not think that one can then jump to saying the MAC is not dealing with a large fraction of the inflow, because until we have looked at the shortage occupations we will not know. I have thought about this quite a lot because, as you know, I am a numbers man as well and by defining shortage occupations, of course, you are also defining non-shortage occupations and therefore in some senses the number of people coming in under the non-shortage occupations may be, for the reasons I have alluded to, reduced. Let me put it this way, it is more attractive to now be on the shortage occupations list because it is going to be easier to come in and so whatever we decide on that also decides the non-shortage occupations, and that is going to be enforced more rigorously.

Q577 Lord Moonie: I think I understand that. How, if at all, do you expect the mandate of the MAC to develop over the coming months?

Professor Metcalf: I know that committee people will always say this, but first of all this is a matter for the Government and not for the MAC.
Lord Moonie: Of course.
Professor Metcalf: I have got an appointment for three years but who knows after that. The MAC is a non-statutory non-timebound NDPB. One of the issues that has already been touched on is, we will wish to update the shortage occupation list and be very flexible about that. We are looking to update probably every six months, but probably to do a very full exercise every two years, but this is actually an item for our committee on Friday. It is provisionally something along those lines. We wish to be very flexible and if it looks as if there is indeed not a shortage and people have come in, we would want to get that occupation off the list, and if something suddenly comes up which employers and perhaps others are really suggesting to us is a real issue, then we would wish to consider it and perhaps be able to get it on the list more quickly. It is possible that the mandate will change by us being asked to look at particular schemes, for example the SAWS, the Agricultural Workers Scheme, which is presently confined to immigrants from Bulgaria and Romania. Maybe we will get asked to look at something like that for example. We have been asked to write a comment on the statement of intent on Tier 1 and I imagine that is the sort of thing that would be quite regular. There is a question about monitoring and evaluation of Tier 2; we have a small research budget and we have been trying to get a little bit of research which would be relevant for our June report, and one of the things that we are doing now is to get a detailed analysis of the present work permit system. I would wish there to be a pretty detailed analysis after, say, a year of our operation on what we have done on Tier 2, but in a sense that is not a matter for us although clearly we would want to have a bit of a say in the issues. That would be an area that I think we could develop, but also I imagine there will be specific issues, and your previous question on the Olympics is one which springs to mind. I would just add, if I may, I have been quite careful to deflect extra tasks for the time being because I actually want to demonstrate that the MAC can do what it is tasked to do, to provide the shortage list by June and then to do other things, but for the time being we have not been asked to do anything.

Lord Vallance of Tummel: I am being a bit slow in understanding quite what level of detail your product is going to be. If we stick with the shortage occupation list, I see in your work plan that it is for the UK and Scotland—I like the “and Scotland” but that is by the bye. We have talked a lot about categories and I see you have civil engineers and degree of disaggregation below that, but what about numbers and locations? Is your product going to have any idea of quantification?

Professor Metcalf: No.

Lord Vallance of Tummel: Or where? It is just going to be lists of jobs?
Professor Metcalf: No, because it is not—with due respect to Lord Lawson—an old-style manpower planning exercise, because you would get everybody then saying you cannot do that, but that is not to deny that, for example, the sector skills council which deals with the utilities—and they are very exercised presently about the shortage of nuclear engineers, for example—but also to take electricity linesmen, the people who string the lines along the pylons, they actually do produce numbers of how many they need, how many there are and so on. We are not going to get into that level of detail, but if they are able to convince us that, yes, for the time being they have not got the numbers that they require, then we are very likely to put that on the shortage list, but we are not going to go into details about regions other than Scotland, which we are tasked to do. I would wish to talk about regional mismatches because this is something which exercises people in particular regions and it is also a very important issue. There is a big issue that it is quite plausible that if you have big infrastructure projects in one area, that will suck skills out from other areas which have consequences for those economies, I want to allude to that, but we are not presently tasked to properly analyse that.

Q581 Lord Vallance of Tummel: I still do not understand quite how you can put a particular job on the list of shortages without having some sort of idea of quantification. To take an extreme, if there is was just one short it probably would not get on your list, so is there no threshold in your mind?
Professor Metcalf: I took your question to mean that we would be producing predictions of the future labour supply and future labour demand. We are not going to do that, but, for sure, people will be able to make a much stronger case that there is a shortage if the fraction of their existing workforce that they say they are going to demand into the future, and if they can demonstrate that the demand is there, is much higher. However, as Lord Turner says, of course one also wants to look at the equilibrating mechanism and one wants to look at whether or not—because that is part of our terms of reference—it can be sensibly filled by immigration, because if you can get a wage response, then it may very well be that that is a better mechanism to fill the gap, use the equilibrating mechanism rather than use the immigrants.

Chairman: Thank you very much. We have all learned a lot and we are particularly grateful for the
way you have managed to bring your thinking into your answer, which will enable us to study your answers with great care afterwards. We are very grateful to you for coming along and helping us on our inquiry. Thank you very much.

Professor Metcalf: Thank you very much indeed.

**Examination of Witnesses**

Witness: PROFESSOR JOHN SALT, Migration Research Institute, University College London, examined.

**Q583 Chairman:** Good afternoon. You are an old hand at these events so I do not need to say, although I am always told to say to everybody, to speak up and to speak very clearly so we get an accurate record of what you have got to say. You are extremely welcome, and if you were able to say who you are so that the television record will get your name, and if you want to make an opening statement or go straight into the questions, that is up to you.

*Professor Salt:* My name is John Salt, I am a professor at UCL and I run the Migration Research Unit there and have done for a number of years. I have worked on international migration for a long time. I should add that I am a geographer and not an economist and my forte, I suppose, is migration rather than labour markets. This is the first time that I have appeared at one of these sorts of meetings.

**Q584 Chairman:** I hope it is as pleasurable an experience for you as it is for us to have you with us, we are delighted you are here. If, therefore, I am able to start off with the questions, the first one I would ask you is how do Tiers 1 and 2 of the new points system differ from the existing highly skilled migrant programme and the current work permit schemes for skilled workers? How, if at all, do we expect the new system to change the number of skill levels of non-European Economic Area workers coming into the UK?

*Professor Salt:* Thank you very much. I suppose the first thing I would say is that Tier 1, which is the old HSMP, is something relatively new in the history of UK immigration where people from abroad are allowed to vote themselves in for work purposes. Interestingly enough, it is closely targeted—something like a third of those who have come have been in the medical sector, around a fifth in finance, so we are not talking about a particularly broad spectrum of occupations coming in. There are a number of ways in which I think the old and the new actually differ. As far as what I call the new Tier 1 is concerned, which is the points-based Tier 1, there are additional categories, which is an important thing. Investors and entrepreneurs are now put in with the existing HSMP system and, interestingly enough, post-study students. I happen to think that these students are relatively important, we have been looking at them and found that post-study students are of growing significance because of globalisation of the economy and diversity strategies in firms.

What we have found is a growing trend for companies to recruit international students, either to send them home or to use them in the UK, and in some cases in preference to domestic students. There is a targeting of international students going on. Some firms are doing this quite actively and have been for a few years, not very many, others are thinking about it, and yet others have probably not got round to that sort of stage. I think it ties in, interestingly, with the way in which new Tier 1 is likely to work and it is something that has not really been talked about or thought about very much at all. A second point that I would make is that ICTs and shortage occupations are now in new Tier 2 whereas they were old Tier 1 in the preceding system. In new Tier 2 intra-company transfers (ICTs)—always confused with information, communication and technology for those of us who are not in the field—get enough points for entry anyway; if you are an intra-company transeree you have enough points, the only proviso is that you have worked for your company for six months before coming in. Employees in effect, do not have to demonstrate that they have got skills and experience to do the job on offer in the way that they have had to do under the old Tier 2. Also what is new is employer licensing and registration, the rating of employers, which is something that has not happened before, at least not officially, and sponsorship. Licensed sponsors will make a bid at the beginning of the year for a certain number of certificates for immigration of workers and, once they have done that, once they have been approved as sponsors, they get their certificates more or less as a matter of course. Also what I suspect is new, or at least an extension of what exists now, is a rather better compliance check, both pre-registration for employers to go on the sponsorship list and also post-entry for migrants. So there is a change in the composition of the tiers and also the introduction of the sponsor list. The fourth point I would make is that there is more emphasis in the new system on the individual worker. What is new in Tier 2 is an attributes test of qualifications and earnings and also a control test, things like accumulation of language, funds, holding a certificate of sponsorship, history of compliance and so on. Compared with old Tier 1 and old Tier 2, in the new system there will be rather less influence directly by employers on individual applications. In the past employers often built up a relationship with Work Permits UK and that, I think,
on the whole has probably been positive for both sides over the years; I can remember a time when it hardly existed at all. In the old system the companies learned what was acceptable and what was not, and to some extent they were trusted. This was not true of all of them by any means and having seen some of the management data in the past, a lot of blue chip companies had quite a high rate of failure to obtain permits, but I think that has been getting better. The final difference has been a change in the locus of decision-making. In new Tier 1 and Tier 2, employers—particularly in Tier 2—are more remote from the decision-making. We see, if we look at Australia (and to a lesser extent Canada), there has been a repatriation of decision-making back home into Adelaide and Tasmania, decisions that might formerly have been made in the case of the UK and Europe down on The Strand. What the UK is doing is in a sense expatriating decision-making, as far as individual workers are concerned, to its embassies and consulates overseas, and what that means is that there is going to have to be a good IT system which will allow the whole lot to be linked satisfactorily together. Those are the main differences.

**Q585 Lord Layard:** What overall effect do you think the change will have on the number of people coming into the country?

**Professor Salt:** I wish I knew that. I have been asking myself, ever since I saw these questions in the middle of last week, can the PBS tail wag the economic dog? I am not sure that it can, but we certainly need to monitor closely what employers are doing. We need more information from individual employers on how they are operating their international labour markets and how they are deploying their expertise. We have a global economy and in talking to employers, one just before Christmas I went to see in anticipation of a conference that I was about to present at, and I asked “What is the key thing about moving skills?” and she said, “It is as it is, this is how the global economy works, this is how we have to work in the global economy, this is how we have to manage our labour markets.” I got the clear impression that these global forces were rather stronger than the ability of individual countries at least to buck the trend—I think the tendency has to be to move with it rather than otherwise. It depends too on public investment. If we look at work permits in the UK over the last ten years, public investment has been really quite crucial in the work permit system. I calculated a few years ago that something like 45% of work permits were, in essence, at the behest of government and government spending in health and education. So it is the way in which the dynamics of politics work as well as the dynamics of the labour market which is important. It also depends upon investment in training among the domestic population and, at the end of the day, on what happens in different parts of the economy because the work permit system tends to be focused so much on a relatively limited number of sectors. I am thinking particularly of IT, health and management, particularly corporate management: up to 60% of work permits are in those three areas, so it really does depend upon what happens in those sectors as much as, perhaps, what happens in the economy as a whole.

**Q586 Lord Lawson of Blaby:** May I ask first, very briefly, a statistical question which I do not expect you to answer now, but it would be very helpful if you could let us have the details. I am looking at Table 20 of that very interesting paper that you produced in which you record foreign labour inflows by route of entry 2005, which shows the numbers coming from the new Europe, the enlargement countries, particularly Poland and others, a very high proportion of the total. This is, in a sense, misleading because it does not include family members and it does not include students, and you say there is a very important increase in post-study students in the labour market and it also does not include refugees, although the most important category is family. However, if you include all those who have the right to work here it would be interesting to know what the proportions under these headings would be. If we could have that information it would be very interesting, because I suspect that the A8 countries and new Europe would be a much smaller proportion because the family members appear to be from outside, but I do not know, so it would be interesting to have this information. The other question I would like to ask you is: you are an independent academic, you are not beholden to anyone; you were devising an immigration policy that would be of the greatest economic benefit to this country, what would you propose?

**Professor Salt:** An immigration policy of greatest economic benefit to the country, not social benefit or cultural benefit?

**Q587 Lord Lawson of Blaby:** If there are problems in integration, for example because of language difficulties, to take one example, they are unlikely to be of the greatest economic benefit either, so there is a considerable overlap.

**Professor Salt:** I would start with a strategy which emphasised orderliness, which is a system which is able to cope with the unexpected, whether it is a large flow of asylum seekers or indeed a large flow of people coming in unexpectedly from the A8 countries. As far as labour is concerned, it would be a system which was linked to the needs of the economy, with the desirability of protecting the jobs of those who are already here. It would have a third arm of family reunion and integration and measures to make
sure that the flows of people coming in did not create waves, did not create separation and in which it was seen that adaptability had to be two-way, the hosts to the immigrant community and vice versa. The fourth element would be one which protected human rights so that those people who were coming in as asylum seekers had the right degree of protection and those people who were already in here were properly protected and had access to the services that they needed. That is the sort of overall strategy which is probably required; it is one which brings together the whole gamut of immigration factors and not just the economic ones. That is orderliness, managed labour, integration and human rights.

Q588 Lord Lawson of Blaby: How do you think the Government’s proposed points system meets that objective you have defined, or would you change it in some way?

Professor Salt: I do not think the points system is designed to provide a comprehensive strategy; it is designed for a particular reason. It is also a great experiment. No country in the world has ever adopted a points system for temporary migration on this scale. The only points systems that have worked have been in the settlement countries, particularly Australia, Canada and New Zealand. They have had a chequered career; at one point I think the Canadians pretty well did did away with their occupation shortage list because they found that it was not flexible enough to cope with the ups and downs of the labour market. I think the Australians would probably say the same thing about flexibility at the moment and I am sure you have heard evidence that by the time they get the aeronautical engineers, for example, that they need, the job has already been filled in some other way, so a points-based system I think is really only a partial solution.

Q589 Lord Macdonald of Tradeston: If I could follow up on that, I just wonder if you see much scope in the new schemes for abuse and where they might be most vulnerable, perhaps to being manipulated against the intention of the Government.

Professor Salt: This is where we come up against the point that Professor Metcalf made about compliance and the way in which compliance works. There are always going to be “abuses” or at least both companies and migrants will seek to make the system work as far as possible for them. The resident labour market test, for example, is something that is supposed to happen; in a sense it does happen but the key to whether or not it really works as it should do is what goes on within the company. If you have got applications coming in from somewhere else, how do you treat them? If you advertise across the EEA and you get somebody applying from Bulgaria because Bulgaria is part of the EEA market, this has to be investigated. Do you really take steps to look at the qualifications and characteristics of somebody from further afield in the EEA when there is somebody that you know you already want, maybe one of your own employees who is out in another country? Therefore, the resident labour market test is able to be abused; I am not suggesting that it is abused all the time but it has been very difficult to apply in the past. In some countries where they have got labour market tests I know that at times of relative shortage the Government has said all right, we will just relax it, we will not bother saying openly that we have relaxed the labour market test but we will tell companies unofficially that that has happened. I know that that was the case in the Netherlands a few years ago because we were doing research there and we found out that it went on.

Q590 Lord MacGregor of Pulham Market: Do existing data allow us to compute the total stock of non-EEA migrants employed on work permits in the UK? Do we know what proportion of temporary work permit holders go on to acquire permanent resident status in the UK?

Professor Salt: The first thing is that the work permit system does not allow us to say what the stock of work permit holders is. We do not know how long people stay, there is no record of whether they leave, nor do we have information on the immigration status of people who might be entitled to work in the UK. As far as your question about proportion is concerned, I did look at some figures and the only way I think we could do it would be actually to use the live system in the Home Office, which would be to look at those people who are applying for leave to remain on the basis of four years employment within the work permit system. The figures for 2005, were that 25,000 people were given leave to remain on this basis; four years earlier we had 85,000 people coming in under work permits and first permissions, so this gives us around 30% staying on. If you do the calculation slightly differently and put that 25,000 over 115,000, which is work permits, first permissions, changes of employment and extensions, that takes the figure down to 20%. That is a rough and ready calculation and until somebody does a more concrete calculation—these things do go on in the Home Office from time to time—that is probably the best that I can do.

Q591 Lord Turner of Ecchinswell: Can I ask an immediate follow-up to that? You just said we do not know the stock of people who are presently here on work permits. Would that not be a fairly easy bit of data to gather and would it not be a sensible piece of data to gather as part of just understanding the problem, because all it would require from now on is that once the sponsoring employer got a work permit?
they had to say, over the years, whether that person was still here, had become a permanent UK citizen or had gone back?
Professor Salt: That is right.

Q592 Lord Turner of Ecchinswell: It does not sound a terribly difficult piece of data if we set out in advance to gather it.
Professor Salt: You are probably correct. Looming in the background is the absolute paucity of information that we have on emigration—people leaving—as far as the work permit system is concerned. Since they are part of the regulatory system it could be the job of companies actually to inform when somebody leaves. There is a problem with those people who come in short term because you have somebody who might come in for three months and then go away, come again and so on, multiple entries and multiple departures, so it is not absolutely easy but it could be done, at least with qualifications.

Q593 Lord Moonie: I hear what you are saying about employers perhaps having to make a return and I think, “why can this not be done automatically?” These people are presumably allocated a National Insurance number, they pay tax and so on. Why can that information not be collated as part of what is after all a computerised system?
Professor Salt: At the moment there are two different government departments involved, the Department of Work and Pensions is giving national insurance numbers and—
Lord Moonie: You have answered my question.
Lord Lawson of Blaby: They need to be introduced to each other.
Chairman: You may have made the point, Lord Best.

Q594 Lord Best: Do you think that the Government should set a quota on immigration, and what has been the international experience with quotas? How are they set and how effective are they in managing migration?
Professor Salt: Very often when I am asked questions about this subject I always begin with “it depends” and in this case it depends on what you mean by immigration; do you mean all incomers, do you mean labour only and if so what sort of labour? So you have to start breaking it down pretty well straightaway. Then there is a simple question, what is a quota? There are different sorts of quotas: Australia, New Zealand and Canada, for example, have numbers fixed each year which they would regard as planning levels and not quotas, and then they are only for permanent settlers and not for temporary workers. US levels, say H1B visas, are fixed by the 1990 Immigration Act, changed from time to time, not quotas in an accepted sense. Quotas are no use if they are arbitrarily fixed. The United States has come up against this problem with its H1B visas as the current cap on numbers, around about 65,000, tends to be reached after only a few months. It is only sensible to have a quota if it is based on sound labour market evidence and predictions of growth and decline in markets for certain jobs or skills. So it has got to be related to the dynamics of what is going on in the labour market, and ultimately quotas are not easily responsive to change in labour market conditions. They may be influenced by employers who shout loudest and earliest, perhaps if they are wanting Bangladeshi chefs for example, employers wanting low cost workers maybe to push up the numbers available to them and quotas are likely to discriminate perhaps against small firms that may have a critical need for workers but lack experience of international recruitment. There is an enormous number of definition issues as well as conceptual ones as a matter of fact, followed by practical issues in defining what is an appropriate level, how often you should change it and so on.

Q595 Lord Macdonald of Tradeston: What are the current rules for the dependants and family of non-EEA nationals entering the UK and how do those UK rules compare to those operating in comparable countries?
Professor Salt: I did start to look at this and I must admit that by the time I got to all the different routes of entry and the rules as far as spouses and fiancées and siblings and what have you are concerned, it is really quite complex. As far as those who are coming in to work under the work permit system are concerned, the spouse can work but not children, the children require work permits of their own. I know something about what goes on in other countries and there is no hard and fast rule; the situation varies depending upon the type of visa. For example, those who are going permanently to Australia and Canada, their spouses can enter the labour market as soon as they arrive because they are landed immigrants. Temporary workers in Canada have had a special spousal employment scheme designed to encourage skilled migrants to go to Canada, but who might be put off because their wives cannot work, so there is a special scheme for the wives to work, designed to help attract people in. In Australia, spouses of highly skilled people have immediate access to the labour market and are exempt from a language requirement, which is another condition that you can have. Some countries do not allow the spouses of temporary workers to work and probably the one that most commonly comes up and has come up in the past is Switzerland where, particularly in Geneva, you have a lot of foreign workers who are coming to Geneva and a lot of diplomats for one reason or another with spouses who cannot work, so there is a lot of
voluntary work going on, I suspect, in those sorts of circumstances.

Q596 Lord Layard: You have told us a lot about the rules governing relatives working. What about the rules governing relatives coming into the country? How do we compare with other countries as regards the rules for letting in siblings, rules for letting in parents? We are somewhat conscious of the rules letting in spouses because that is a matter of public debate, but what about the others?

Professor Salt: I am not in a position to say what the rules are for different routes of entry. When I started to examine it I, realised that in the time available from being forewarned of this question I could not provide the answer in detail about the particular rules for family members. The rules as far as spouses, fiancées are concerned have changed quite dramatically over the last ten years, for example, with the rescinding of the primary purpose rule, the introduction of a probationary year so that you cannot have right of settlement if you come in as a spouse until you have been here for a year and established that it is a genuine marriage, and so on and so forth.

Q597 Lord Layard: Can you refer us to some source on all this?

Professor Salt: One of the sources is the footnotes to the Home Office’s command paper on migration statistics and the immigration rules, which periodically change. There are regular changes to the immigration rules which are on the Home Office website.

Q598 Lord Turner of Ecchinswell: Can I ask another question about things which are not in table 20? Table 20 is the foreign labour inflows by route of entry, but presumably it is legal foreign labour inflows by route of entry?

Professor Salt: Yes.

Q599 Lord Turner of Ecchinswell: Do you think we know anything at all about the level of illegal immigration, either as a flow or as a stock or is it simply something that we do not know? Also, within that, would it be right to assume that the vast majority of illegal immigration is low skilled, or do we have significant numbers of higher skilled people who might have applied for the work permit system but have chosen not to and are simply working here at higher skills levels? First of all, quantity, therefore: do we know anything about that and, secondly, do we know anything about skill mix?

Professor Salt: As the often-publicised author of the magic figure of half a million, I think I would like to take this opportunity of saying that I have never ever produced a calculation of the numbers of illegal migrants or people in the country irregularly or however you want to define it. No country in the world knows how many people there are who are living or working illegally, with the probable exception of Australia where they count everybody in and they count everybody out, and they have information on everyone's status there, so if I get on to the Australian High Commission and ask what is the size of the illegal population in Australia, they can say as of 30 June 2007 there were an estimated 46,500 overstayers. They do that because there is electronic control of everybody going in and out and it is an island. In this country and pretty well every other country, we just do not know. Illegal people do not want to be counted, that is one problem, they are probably quite good at making sure they are not in the census. We also have a problem of defining what is illegal. A student is allowed to work for 20 hours; a student who works for 21 hours a week becomes illegal. Somebody working at below the rate for the job, perhaps brought in without a satisfactory labour market test, might also be described as illegal, and here I might just touch on the second part of your question. If you have got somebody who is coming in, maybe an IT worker, who is being paid less than the statutory rate, or at least the package works out less because of the way it is put together, which may happen—I am not suggesting it does happen a lot but it may happen—then that person is illegal as well. So, first of all, you have got the problem that these people do not want to be in the counted list, then how do you define illegal and finally there is no satisfactory method of counting the illegal population anyway. The study we did for the Home Office went through all of the possible methods that we could find and none of them were terribly satisfactory. We also need the co-operation of outside agencies, particularly employers but maybe also health workers and other service providers (what the Dutch call “systems agents”) to say whether a person should not be here and is entitled to a service or allowed to work, and even then you have the problem of verifying documents, so employers have problems there too. I do not think that we know how many there are, but we can all make guesstimates. I think it is dangerous to make guesstimates because once a figure is launched, like the 500,000 figure, it takes on a life of its own and it becomes at least the baseline. I have said on another occasion, and maybe this is going to come up a bit later, that one possible way of beginning to know is how many people come out of the woodwork if you have an amnesty, because you know that if 300,000 people put themselves forward for legalisation, that is at least 300,000 people who were illegal. That is a starting point, though, not an end point.

Q600 Lord Turner of Ecchinswell: Although it does have the consequence, if you do that, that people assume you are going to do it again; it is presumably...
an incentive for illegal entry because they assume it is going to be legalised. 

Professor Salt: That is another matter. One should add that there are different sorts of amnesties. You can have what is called backlog clearance, and the Home Office has done some backlog clearances, or you can have a full-blown amnesty. In other countries, amnesties have never tried to cover all of the illegal population; there has always been some kind of selection in there, you must have lived here for so long, you must be working, you must have come in legally and become illegal. There are problems of eligibility conditions. Who do you include? Do you include family members? And there is also a common problem of what I call recycling. There is an amnesty. I apply, I am accepted, I am given a year’s temporary status, I stay on and I work quite openly for a year, and after a year what happens? I do not go home. I stay on and by definition I become illegal again. Then another amnesty comes along, so I put myself forward and I get amnestied again. So there is a problem. The debate about amnesties will go on and on and on. There are many illegal migrants in France as there are in the UK; of those who were born in Africa and Asia, only 49% had nationalities of those countries. So you are looking at quite different populations which will vary across the world. For the European population, you are much more likely to be looking at similar sorts of people if you look at foreign-born and look at nationality. If you look at Africa, you are probably looking at rather different sets of people if you look at foreign-born and if you look at nationality. I am afraid—it is always good to double the work, I suppose—you actually need both because they are telling you different things. If you are working on sample data, as we often are in this country, then country of birth gives you about twice the size of the sample of nationality and you can do a bit more with it than if you have nationality only. But ultimately we come down to the fact that as long as rules of entry are based on nationality, then that should, I think, be the principal thing that we look at as far as possible.

Q601 Lord Macdonald of Tradeston: Would identity cards help, in your view? 

Professor Salt: Not if they are capable of being forged, and that is probably likely to happen. They have identity cards in France and there are probably as many illegal migrants in France as there are in the UK.

Q602 Lord Layard: In your paper on international migration in the UK you focus on foreign nationals rather than the larger group of foreign-born persons. Why do you make that choice and how do you think we should define migrants for our basic debate on these issues about the scale and impacts of immigration? 

Professor Salt: We have actually used both. In Home Office Occasional Paper 75, which was published in 2001, we used foreign-born for part of the analysis, because that gave us a larger sample; we were asked by the Home Office to do that. There are three reasons why we use nationality. The first is that rules of entry and regulation tend to be based on nationality and not on where you were born, and if you are looking at a managed policy that is quite important. Secondly, comparative international studies tend to use foreign nationality for similar reasons; and, thirdly, in quite a lot of past work, particularly at the European level, we have used nationality as the basis for differentiating. We need to be aware of the differences across national groups in terms of rates of naturalisation. For example, if we look at LFS data for 2007, of those who were born in Europe 81% still have the nationality of European countries; of those who were born in Africa and Asia, only 49% had nationalities of those countries. So you are looking at quite different populations which will vary across the world. For the European population, you are much more likely to be looking at similar sorts of people if you look at foreign-born and look at nationality. If you look at Africa, you are probably looking at rather different sets of people if you look at foreign-born and if you look at nationality. I am afraid—it is always good to double the work, I suppose—you actually need both because they are telling you different things. If you are working on sample data, as we often are in this country, then country of birth gives you about twice the size of the sample of nationality and you can do a bit more with it than if you have nationality only. But ultimately we come down to the fact that as long as rules of entry are based on nationality, then that should, I think, be the principal thing that we look at as far as possible.

Q603 Lord Moonie: Do you have any comments on the written submissions received from the Government and from the ONS on the scale and impacts of immigration in the UK? 

Professor Salt: How long have you got?

Q604 Lord Moonie: As long as you like. 

Professor Salt: First of all, it is good to see this engagement with what is going on as far as migration is concerned and attempts to estimate the advantages and disadvantages, but I think at the end of the day I look back and reflect that we have still got a long way to go in reaching a balanced view. The Government paper is, if anything, rather too aggregate-based, it is focused on the advantages to the national economy without paying sufficient attention to the distribution effects. I did some work for the OECD back in the early 1990s which involved quite a good familiarity with the literature and one thing that kept coming through there was that it is the distribution effect that counts, and I think that is very much still the case, my mind has not been changed since then. There is not much research on the distribution effects across different sorts of people, across different regions, across different sectors of the economy, across different occupations. More attention should be paid to the change in GDP per capita rather than GDP total, especially in light of such factors as female activity rates, which vary across populations, particularly across immigrant population, and also how we treat children in the
various calculations. I know that in some of the literature there was a bit of a spat about what constitutes a child and do you treat a child up to the age of 16 the same as a child after the age of 16 and so on. There are uncosted externalities that need some thought. I have worked for a long time on the basis that migration is a business and there are institutions which want to foster the business, and if you look at business there are all the externalities as well. Some of these are very difficult to cost and we need to spend a bit of time on those.

Q605 Lord Lawson of Blaby: Which are the most important externalities?  
Professor Salt: The provision of services specifically for migrants, for migrant integration, and to help migrants become more absorbed into the workforce and so on. I do not think we have sufficient idea of how these costs actually work out. One of the principal things that I would like to see in the paper that is not there more on the perspectives of employers. At the moment the arguments in the paper are too focused—perhaps for obvious reasons—on the UK and do not show an appreciation perhaps as they might on how migration relates to the global economy and particularly the globalisation of corporate labour markets. There is global competition for skills. We are in competition for skills. I can go to a whole series of pieces of work and reports from different countries and find that, yes, we want skilled workers, we want skilled workers, we want skilled workers. There is also nothing on the loss through emigration of British skills. It is a debate about immigration and we need to balance that out with who is going, what sort of holes are they creating and is it perhaps a bit easier to try and stop them going or at least bring them back rather than bring in new people. Those are some of the comments that I would make on the Government paper. As far as the ONS is concerned, it does its professional best. It has got first-rate statisticians but there are issues beyond their control in sample size, emigration and short term moves. I get quite frustrated sometimes when people talk about the need for better data and why does the Government not provide data and why does the ONS not give us better data—that is what the local authorities say. I think we have pushed existing data as far as we can. There has been quite a lot of good statistical effort in trying to massage what are predominantly sample surveys as far as we are able. E-borders will give us some improvement, although it is not clear by any means yet what data will come from the e-borders system. They will rely on the quality of documentation in the other countries so it is quite like the slowest ship in the economy. The least good passport system of one of the EEA states will probably determine what happens. But we have got quite a long time to go yet, we are not going to get the data until perhaps 2013 to 2014. Ultimately, and I suppose this is a bit of a plea, we need to begin seriously thinking about a step change in data availability, and there is only one direction that takes us and it is into the form of a population register, which would probably have to be divided into a register for the domestic population and a register for the non-domestic population, some kind of aliens register. Registers are not perfect: they always over-estimate stocks because everybody registers when they come in but they do not always register when they go out. But I do not think we are going to get better data on international migration without something really very seriously changing and that means serious money.

Q606 Lord MacGregor of Pulham Market: You said that the Government paper focuses on national effects and not on distribution effects and I understand you mean regional and local et cetera. Do you think that leads to misleading conclusions or perceptions?  
Professor Salt: Yes, I think it does, and this is where I begin to move away from my territory. As I said, I am not an economist but the advantages of immigration to the national economy always seem to come somewhere between plus one and minus one—it is there or thereabouts—and of course if you increase the labour resources you make the economy bigger and of course the economy grows. So it is how the benefits are spread around the population, who is there to gain and who is not, they have to be spread around everyone in the domestic population and the immigrant population as well.

Q607 Lord Layard: You have looked at these trends for so many years and one of the big issues is how we expect the net migration to develop over the future, because it sets the context, with so much for the housing market and so on. Some people say it is a pool that is beginning to run dry and we can expect it to level off and would come down in terms of net migration; other people think of it as a snowball that is still building up. What is your general line on it, how is it likely to go?  
Professor Salt: We have first of all to look beyond the EEA and one of the more interesting countries at the moment is Ukraine which is a big population and it is filling in gaps all over the place. Even if the European Union does not expand beyond its present limits for some time, then I think there are countries which are just beyond, which are going to become part of the system anyway. “There is nothing so permanent as a temporary migrant: discuss”, is an examination question I have been setting for a long time. Every bit of migration literature and all migration theory does indicate that some proportion of the population is
going to stay. At the moment the flows from the A8 countries are coming to the UK because they cannot go to many other countries freely to work—they can go to Sweden, but not very many of them are and they can go to Ireland, a lot of them go to Ireland. Ireland has probably had relatively more than we have. What will happen when the transitional arrangements run out in other countries I do not know, but I would expect that once chain migration has already begun between Poland, Lithuania, Latvia and so on and the UK it is going to be difficult to break because you have got an established network, you have got transnational populations already growing. The key to my mind is what happens to the demography of the flow. If we go back to the 1960s, to the European guest workers, you had young, unattached people coming in first, temporarily, and 90% of those went home as far as we can gather. Later you had older people, married people, people bringing their families, people bringing their children, people having children and 90% of those stayed. One thing I would like to see is fairly close monitoring of the demography of the migration flows from those regions because it will give us a reasonable idea how many of them will stay. So, as far as future temporary migrants are concerned, we will probably have to look beyond the immediate boundaries of the European Union to see what is actually going on there and how countries are interacting with the EU, particularly with the Eastern European states, and then in the longer term it is the demography. May I add just a rider to the point about the Olympics? I was talking to a Polish colleague just before Christmas and she said “Of course, with Poland having the European football championship in 2012 we are about to embark on a large programme of new stadium building.” That did sort of chime in with certain things happening in this country. Where are the workers going to come from to build Poland’s new stadia as well as to build ours?

Q608 Lord Vallance of Tummel: Could I just push you a little bit more on distribution because you say in your paper that around two-thirds of foreign workers are in South East England by comparison to around 30% of UK nationals, and of course the concentration in the capital is even greater. Can you expand a little on what bearing does that level of concentration have on framing an immigration policy for the UK as a whole? Professor Salt: Let us separate out what was being said there from what has been happening since with the flow of people from the A8 countries who have distributed themselves much more widely. For a long time, 25 years or maybe more—but that is the length of time for which we have data—the distribution of foreign nationals coming to the UK has been concentrated on London and the South East, it has been a constant. When immigration went up, the proportion of people coming to London and the South East stayed the same; when immigration went down, the proportion of people going to London and the South East stayed the same. It has been something that is fairly constant. If you increase migration into the UK, then inevitably, particularly if it is skilled workers, which has tended to be the case, then you are increasing the economic benefits to the South East and not to the other regions. The stickability of labour—a lot of it seems to refuse to want to move internally—means that it is often much easier to get the right skills into London and the South East from abroad because the links have been set up for people to come. Other things then begin to come into operation, like if you are highly skilled and come with your company you have probably got subsidised housing; if you are coming in and you are willing to share, then three or four people sharing a house can always outbid the family of a fire worker coming down from the North East.

Q609 Lord Macdonald of Tradeston: Whether there are 500,000 irregular or illegal immigrants—and there may be more or there may be less—surely what is true is that of the relatively few of those who are identified, even fewer are then deported from the country, so is it worth all this great cost and effort to identify even more immigrants who are already here who might be irregular or illegal, because the number that eventually go, would you accept, will be marginal? Is this therefore just a political gesture rather than any effect of intervention in the market? Professor Salt: We do not know how many people who are here illegally actually leave voluntarily. We do not know how many people who have been told to leave actually leave voluntarily. So there is an unknown as far as that is concerned. Deporting people is terribly difficult and there was an interesting paper some years ago asking why do we find it so difficult to send home those people who have no right to be here. There is an enormous emotional thing as well as a resource thing involved. The same newspaper will demand that illegal migrants are deported and then demand that a single individual who is illegal but, for whatever reason, whether it is health or education or something else, should stay. I do not think that sufficient resources are ever going to be available to find and then deport all those who have no right to be here. But I come back to the point I mentioned earlier, and that is that there are a lot of countries which will refuse to readmit people who you do not want here, and for many years now that has been the case. They say: “we do not believe that these people are our nationals, they have not got any papers. It will take us six months to check up, we do not have the resources to do that, we cannot promise you an answer even after six months”. So where you try to send them is also a problem. There is a whole
network of issues that is in there which makes it
difficult to send people back home.

Q610 Lord Macdonald of Tradeston: Yet we are
spending a great deal of money on it.
Professor Salt: I do not know how much we are
spending on it. I have not checked that up. There are
a lot of people who know that better than me. What
I do know is that if we are to do the job properly then
it would cost a darn sight more than it does now.
Chairman: Thank you very much indeed. We are
most grateful to you for the information and your
skill in answering our questions by posing other
questions to us as you were making your points
indicated something which I found very interesting.
Thank you very much indeed, we are very grateful
to you.
Written Evidence

Memorandum by the Audit Commission

SUMMARY AND RECOMMENDATIONS

Summary

1. The Audit Commission welcomes the opportunity to provide evidence to the House of Lords Select Committee on Economic Affairs. Our submission is based on our recent research on the local impact of migrant workers, published in January 2007. The research does not cover broader migration issues.

2. Much of our work focuses on migrant workers from the eight states in Eastern Europe who joined the European Union in May 2004, whose speed, scale and geographical spread on arrival was unpredicted. It examines how well local authorities, the police and health services are anticipating, identifying and managing local change.

3. This submission provides evidence in response to question 9 relating to the impact on public services. It covers:
   — local economic impact;
   — the importance of place, given local differences in impact;
   — the limitations of local population estimates and associated data about recent migration, and the lack of quantifiable information about demand for, and use of, public services by different groups of migrants;
   — the different kinds of demand on public services that can be associated with migrants;
   — the contribution of migrant workers to public services, particularly in the health and care sector; and
   — the lack of data on possible compensating savings to local authorities resulting from British citizens moving abroad.

Recommendations

4. Local authorities need to take a lead role in coordinating and delivering locally tailored responses by:
   — understanding how local populations are changing by analysing national and local sources of data and intelligence;
   — balancing enforcement of regulations with encouragement for employers and landlords to improve standards;
   — addressing language, advice and information issues;
   — minimising local tensions, responding swiftly to emerging problems and maintaining contingency plans; and
   — modifying services to meet the diverse needs of a changing population.

5. The government and regional bodies could help local areas more effectively by:
   — coordinating activity across government departments to support local areas in respect of data and information and to prepare for future increases in migration;
   — analysing trends and demand for skills and training regionally and coordinating regional information, advice and guidance; and
   — developing a regional approach to address the issues raised by migrant workers in housing, planning and economic development strategies and teaching English to adults.
Detailed Response

Our evidence on local economic impact

6. The Commission reviewed available macro-economic studies on the impact of migration, all of which show migrant workers as net contributors to the economy. We did not carry out any additional original economic research. Employers were positive about the impact of migrant workers on local economies. Migrant workers often took job vacancies that had been difficult to fill and they were generally considered to be reliable workers. We found no local statistics to support suggestions that migrant workers were suppressing local pay levels. Subsequent detailed local research on the East and West Midlands published in 2007 shows that local impact differs.

The importance of place

7. The extent and effects of migration vary considerably from area to area. In some housing market renewal areas, which have falling populations and a low demand for housing, inward migration has helped to increase demand and may help with regeneration. These housing issues are different from those faced by areas with significant housing shortages. In some areas, migrant labour is more seasonal than in others and workers are often provided with temporary accommodation by employers.

8. Where migrants live in areas with cheaper housing but travel daily to other areas for work, it is harder for authorities to work closely with employers and to anticipate changes in local populations. This is relevant when firms recruit substantial numbers of migrant workers or lay-off workers at short notice. Where houses have been provided by employers or agents, lay-offs can lead to immediate homelessness for migrant workers and their families. The impact on local councils can be sudden when migrant workers and their families are made homeless.

9. Local authorities need to understand local differences and manage associated local changes for the benefit of existing and new populations. They should know and understand their communities, anticipate local changes and co-ordinate local responses. Strong links with local employers are also vital.

Local population estimates and local service demand

10. Although macro-economic studies show that the economy as a whole benefits from migrant workers, the benefits may not be equally felt in all local areas. Government grants to local public agencies are linked to local population statistics, which do not adequately reflect all local migration, particularly international migration. This is accepted by the Office for National Statistics, and a programme of improvement to the data is under way. However, in the short term it may be that some local areas have experienced population increases through migration that are greater than that for which they receive government grant.

11. There is considerable transience among some migrant groups, making population estimates harder. Some data sources, including new national insurance numbers and registrations on the worker registration scheme, give an indication of who moves where, but they do not say how long they remain. Research by the Social Exclusion Unit showed that local administrative records are poor at tracking transient populations and some people may not appear on any local databases.

12. The Commission found limited evidence for increased demand on local public services from migrant workers and little evidence of additional expenditure resulting from their arrival. The increase in demand is most noticeable in relation to interpreters, which particularly affects police services, and in education, with increased demand for adult English classes and additional children in schools. Some local authorities have increased their focus on regulating standards on caravan sites and houses-in-multiple-occupation (HMOs). This has required additional resources.

13. A number of authorities in areas with a high level of change have supported specific projects to help recent arrivals. However, many of these authorities have successfully bid for grants from regional and national government or other funding agencies, so there is limited impact on local budgets.

Specific demands on services: Education

14. Additional demand for English lessons from adults does not necessarily increase costs; it can just mean fuller classes and longer waiting lists or waiting times. Some areas have chosen to spend more of their adult education budgets in this area. Recent national changes restrict the number of people eligible for free classes, which may change local demand.
15. Language is critical both to communication and better integration, and any costs are likely to be matched by benefits and savings elsewhere. Immigrants with English language skills are less likely to be exploited and more able to help themselves. They are less in need of interpreters or translators (which are a cost to public services) and will have a wider range of better paid job options. A recent survey of Roman Catholic migrants in London showed that those with good English language skills earned more. Many migrants start with jobs below their educational and skill level. Language skills, alongside qualification recognition or conversion, can help them to use their existing skills to the wider benefit of the economy.

16. Recent Home Office immigration statistics show an 11% increase in grants of settlement in the UK for children, to 45,445 (25% of all settlement) in 2005 compared with 2004. These statistics do not show levels of spoken English. Evidence for an increase in the number of children of accession state migrants is available from the Workers Registration Scheme.

17. Nationally and locally, the annual pupil census returns identify children in maintained schools for whom English is a second language, but do not identify children by nationalities. As school funding is mainly linked to pupil numbers, the full financial costs of additional pupils are not borne locally. There is also some additional grant available for those who do not speak English. However, this specific grant was provided for three years on the basis of rolls at January 2004 and, as a result, areas where considerable numbers arrived after that date did not get additional grant funding.

Specific demands on services: Housing

18. The pressure on housing stock from migrant workers is less than their numbers might suggest. Most recent migrant workers from the accession states have taken relatively low paid jobs. Available evidence from numerous local surveys and the Labour Force Survey shows that migrants live mainly in the private rented sector and often share accommodation. Others live in accommodation provided by employers, for example on farms or in hotels. However, the increase in demand for affordable private rented housing will affect others reliant on that sector for housing. Increased competition for private sector lettings can drive up rental values. This can have a financial impact on local authorities that have been using private sector lettings to temporarily house homeless families.

19. The increase in migrant workers housed by employers increases the need for appropriate advice and support for private tenants and for effective regulation of HMOs, including enforcement of standards in some cases. Findings from the Commission’s housing inspections show that this need is not always being met. Private sector work, and particularly enforcement work, is the weakest area of housing performance among local authorities.

20. Some foreign nationals can apply for social housing and some may be eligible for homelessness assistance under the Housing Acts. However, in 2006 only 5% of all social housing lettings went to non-British nationals.

21. In central London the arrival of some nationals of the accession states has put pressure on services provided to help rough sleepers. The services concerned are often run by the voluntary sector rather than the statutory services. Many of the individuals concerned are not eligible for assistance from councils because of the benefit restrictions introduced alongside the worker registration system.

Specific demands on services: Health and social care

22. The majority (82%) of migrants from the accession states who registered as workers between 2004 and 2007 were aged between 18 and 34. Most will be making National Insurance contributions and this age group does not place much demand on health and social care services. However, there is no local measurement of such demand by Primary Care Trusts or by national health data returns. Where there are health needs there may be some extra demand on interpretation services.

Specific demands on services: Community safety and policing issues

23. Our research found that data on the nationality of those who commit crimes are victims of crime is not recorded nationally. At a local level some forces have reported increases in race hate crimes, which can involve migrants. In some areas the Commission has found that the police had particular concerns about vehicle and driving standards.

1 A grant of settlement is made when a person subject to immigration control is given permission to remain in the UK indefinitely.

2 Prisoner nationality is recorded, but numbers will be affected by a range of issues including whether or not there are agreements between countries on where sentences should be served.
24. Many local diversity officers believe that crimes against migrant workers, including race hate crimes, are under reported. This is either because they do not know how to report them or because they do not want to get involved with the police. Research by the Joseph Rowntree Foundation supports this. Where there is a large and mainly transient community of migrant workers, it is difficult for local police to establish the levels of trust and make the local contacts that support neighbourhood policing.

25. We also found that the police are often the first local service to become aware of an influx of new arrivals. This can be due to increased reports of anti-social behaviour made by local residents; concerns about tensions between nationalities; increases in race or hate crimes where migrant workers are victims; or because of road safety issues.

26. There has been particular pressure on local police and, to a lesser extent, probation interpretation budgets, and an associated increase in demand on police and probation time.

**Migrant worker contribution to public services**

27. Immigrant workers have made a major contribution to health and care services for many years. They have filled skill gaps and helped to limit pay inflation. Current estimates are that migrant workers make up 13% of the social care workforce and 18% of the health care workforce. Migrant workers also play an important role in the construction industry, although there are no figures showing the nationality of the workforce on current public sector projects.

**The balance of migration**

28. Migrants from elsewhere in the European Union access a variety of benefits within the UK, but British citizens have reciprocal rights within the EU and some other countries to health, care and education services. Any attempt to quantify additional demand in the United Kingdom needs to include an assessment of the absence of demand from those who have moved abroad.

**Memorandum by the Bank of England**


**Q1. What are the numbers and characteristics of recent immigration? What are the expected future trends for immigration?**

2. The official data suggest that over the past decade there has been a rise both in the number of people coming to and leaving the United Kingdom (Chart 1).5 But the measured inflow has increased by more such that there was a net inflow of 185,000 migrants into the United Kingdom in 2005 (the latest full year for which data are available), and in the preceding year, the net inflow was 223,000. Those net inflows were large, even by recent historical standards. Between 1998 and 2003 the net migrant inflow averaged around 150,000 people a year.

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3 See http://www.bankofengland.co.uk/publications/quarterlybulletin/qb0604.pdf
4 See http://www.bankofengland.co.uk/publications/quarterlybulletin/qb0701.pdf
5 See paragraphs 16–17 for a discussion of data measurement issues.
3. The pickup in the net inflow of migrants in 2004 and 2005 was driven in part by the enlargement of the European Union. Since 1 May 2004 nationals from eight countries in Central and Eastern Europe (referred to as the A8) have gained the right to live and work in the United Kingdom. Administrative data from the Worker Registration Scheme (WRS) indicate that several hundred thousand migrants from these countries have found work in the United Kingdom since enlargement (Chart 2).

4. Net inflows of migrants have accounted for the majority of UK population growth over the past decade and will continue to do so in the near future according to the latest set of population projections by the Government Actuaries Department (GAD) (Chart 3).

5. In order to consider the characteristics of migrants, the most useful data source is the UK Labour Force Survey (LFS). Inflows of overseas residents (and net outflows of British residents) have also raised the fraction of the UK population that was born abroad (Chart 4). The LFS data suggest that around 12% of the working-age UK population were foreign born in 2006. Within that, around one sixth were born in EU14

6 The International Passenger Survey (IPS), WRS and National Insurance Number (NINo) allocations to overseas nationals entering the UK are used to cross check, wherever possible, the results obtained from the LFS data. Household surveys such as the LFS can provide more detailed information on the characteristics of immigrants. However these data cannot be used to corroborate the official estimates of the size of the immigrant population.
countries, one fifth in the Indian sub-continent and a quarter in Africa or the Middle East (Table 1). Those born in the A8 countries made up a small fraction of the stock of immigrants in 2006, but they are the biggest group in those defined as “new” immigrants. In other words, while A8-born individuals represented a small proportion of immigration before 2004, the share of A8-born individuals has been much greater among the immigrants who arrived in the past three years. In particular, A8 immigrants account for one in three of new arrivals since 2004, but only one in thirteen of the total stock of immigrants.

Table 1

<table>
<thead>
<tr>
<th>SHARE OF IMMIGRANTS IN THE POPULATION: BY COUNTRY OF BIRTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per cent of population (of which)</td>
</tr>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td>A8</td>
</tr>
<tr>
<td>Africa and Middle East</td>
</tr>
<tr>
<td>Indian Sub-Continent</td>
</tr>
<tr>
<td>EU14</td>
</tr>
<tr>
<td>Americas</td>
</tr>
<tr>
<td>Rest of Asia</td>
</tr>
<tr>
<td>Rest of Europe</td>
</tr>
<tr>
<td>Australia and NZ</td>
</tr>
</tbody>
</table>

1. Based on individuals aged 16–64.
2. “New” immigrants are those who entered the UK in the survey year or the (calendar) year before the survey was carried out.
3. Country of birth data by all A8 countries are only available from 1998. For 1995, Poland, Hungary and Czechoslovakia (which account for 80% of those in the A8) are used to proxy the A8.
4. Rest of Europe includes countries not in the EU15 and A8.
5. The LFS records the highest qualification of individuals. However, the LFS definitions are not very useful for assessing the relative qualifications of foreign born immigrants due to the policy for categorising any foreign qualification not on the list of (mainly UK specific) qualifications as “Other”. Within the LFS it is also possible to look at the amount of time spent in education. Based on these data, people who left full-time education before 16 are classified as having incomplete schooling, and those who left after age 21 as having completed a degree. This leaves individuals who left full-time education between the ages of 16 and 20—who are classified as having completed secondary school.
6. The above groupings will not be entirely accurate due to misclassification.

Table 2 also shows that the average immigrant in the United Kingdom is 38 years old, compared to nearly 40 for the UK-born population. In fact, both the official migration data and LFS data show that over 90% of immigrants are aged between 15 and 44. “New” immigrants are younger, with an average age of 29.
Table 2

EDUCATIONAL ATTAINMENT: IMMIGRANTS AND THOSE BORN IN THE UNITED KINGDOM

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>UK born</td>
<td>Immigrants</td>
<td>Immigrants</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>Recent</td>
<td>New</td>
<td>1995</td>
</tr>
<tr>
<td>Weighted count (millions)</td>
<td>38.2</td>
<td>33.7</td>
<td>4.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Sample size (thousands)</td>
<td>299.2</td>
<td>266.4</td>
<td>32.8</td>
<td>86.3</td>
</tr>
<tr>
<td>Immigrants (%)</td>
<td>12.0</td>
<td>3.3</td>
<td>1.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Average age (working age pop)</td>
<td>39.8</td>
<td>40.0</td>
<td>38.1</td>
<td>30.2</td>
</tr>
</tbody>
</table>

Distribution of workers

By highest qualification (%)

<table>
<thead>
<tr>
<th></th>
<th>Degree</th>
<th>A-level or equivalent</th>
<th>GCSE or equivalent</th>
<th>Other</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>26.0</td>
<td>25.4</td>
<td>12.9</td>
<td>4.8</td>
<td>13.6</td>
</tr>
<tr>
<td>1995</td>
<td>20.0</td>
<td>17.2</td>
<td>17.2</td>
<td>10.7</td>
<td>10.4</td>
</tr>
</tbody>
</table>

By age left full-time education (%)

<table>
<thead>
<tr>
<th></th>
<th>&lt;16 (Incomplete schooling)</th>
<th>16–20 (completed secondary school)</th>
<th>21+ (Completed a degree)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>16</td>
<td>65</td>
<td>20</td>
</tr>
<tr>
<td>1995</td>
<td>16</td>
<td>66</td>
<td>20</td>
</tr>
</tbody>
</table>

1. Based on individuals aged 16–64.
2. “Recent” immigrants are those who entered the UK in the survey year or 4 (calendar) years before the survey was carried out.
3. “New” immigrants are those who entered the UK in the survey year or the (calendar) year before the survey was carried out.

Source: LFS.

Q2. In what sectors and occupations are immigrants employed? How do migrants' labour market outcomes—including their employment rates and earnings—compare to local workers?

9. Compared with UK-born individuals, immigrants (on the LFS foreign-born definition) are on average somewhat less likely to be employed. The LFS data suggest that 74% of UK-born individuals were employed compared with 67% of all immigrants in 2006 (Table 3). In 1995, “recent” and “new” immigrants had lower employment rates than immigrants in general, but this pattern has changed in 2006 with recent and new migrants having rates that are closer to the average. When employed, the average immigrant worked 1.5 hours per week more in 2006 than the average individual born in the United Kingdom.9

10. Chart 5 shows the share of total employment in each occupation accounted for by foreign-born workers. About 11% of all “Managers” in the United Kingdom were foreign born in 2006. The chart shows a U-shaped profile, where there is a greater share of immigrants at both ends of the occupation distribution than in the middle. The pink bars plot these shares of immigrants since 2001. It shows that the immigrant share has increased in all occupations, but by proportionally more in lower-skilled jobs. The bottom two occupation groups are “Process”—including food and textile operatives—and “Elementary”—including cleaners, shelf fillers, packers, labourers and kitchen and catering assistants.

9 This differential in hours is accounted for by women: immigrant women on average work 2.4 hours per week more than UK-born women. Even after one controls for demographics and job characteristics, immigrants still work longer hours than UK-born workers.
Table 3

LABOUR MARKET OUTCOMES: IMMIGRANTS AND THOSE BORN IN THE UNITED KINGDOM

<table>
<thead>
<tr>
<th></th>
<th>2006 All</th>
<th>UK born</th>
<th>Immigrants All</th>
<th>Recent</th>
<th>New</th>
<th>1995 All</th>
<th>Immigrants All</th>
<th>Recent</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>72.7</td>
<td>73.5</td>
<td>66.8</td>
<td>67.2</td>
<td>64.1</td>
<td>59.8</td>
<td>45.5</td>
<td>46.0</td>
<td></td>
</tr>
<tr>
<td>Inactive</td>
<td>23.1</td>
<td>22.5</td>
<td>27.4</td>
<td>25.9</td>
<td>28.0</td>
<td>31.6</td>
<td>44.3</td>
<td>45.8</td>
<td></td>
</tr>
<tr>
<td>Unemployed Rate</td>
<td>5.5</td>
<td>5.2</td>
<td>8.0</td>
<td>9.3</td>
<td>11.0</td>
<td>12.5</td>
<td>18.3</td>
<td>15.1</td>
<td></td>
</tr>
<tr>
<td>Average basic hours worked</td>
<td>34.7</td>
<td>34.5</td>
<td>36.1</td>
<td>36.7</td>
<td>37.0</td>
<td>36.7</td>
<td>36.4</td>
<td>36.2</td>
<td></td>
</tr>
<tr>
<td>Average paid overtime hours</td>
<td>2.9</td>
<td>2.9</td>
<td>3.2</td>
<td>4.5</td>
<td>4.9</td>
<td>3.6</td>
<td>3.8</td>
<td>4.4</td>
<td></td>
</tr>
</tbody>
</table>

1. Based on individuals aged 16–64.
2. “Recent” immigrants are those who entered the UK in the survey year or 4 (calendar) years before the survey was carried out.
3. “New” immigrants are those who entered the UK in the survey year or the (calendar) year before the survey was carried out.

Source: LFS.

11. Chart 6 shows that immigrants have on average earned more than UK-born individuals since 1993. This result is partly explained by the fact that immigrants have been more likely to live in London, where hourly wage rates are higher than the rest of the country. The chart also shows that average hourly pay of “new” immigrants was not very different to existing immigrants through the 1990s. But since 2002, the real wages of “new” immigrants have fallen relative to the wage of those born in the United Kingdom.

Chart 5: Share of total employment in each occupation accounted for by immigrants

1. Based on all employed individuals aged 16-64.
2. The number of all foreign born workers in each occupation as a percentage of the total number of people employed in that occupation.

Source: LFS.

Chart 6: Average hourly wage

1. Based on employees aged 16-64 who report their wage. Those earning above £100 per hour or below £1 an hour are removed to avoid the analysis being influenced by such extreme observations.
2. Real wages are based on 2005 prices as measured by the CPI.

Source: LFS and ONS.
Table 4

HOURLY WAGES: IMMIGRANTS AND THOSE BORN IN THE UNITED KINGDOM

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>UK born</th>
<th>Immigrants</th>
<th>New</th>
<th>All</th>
<th>Immigrants</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td></td>
<td>1995</td>
<td></td>
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<td>Average wages per hour (2005 £s)</td>
<td>11.6</td>
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<td>11.9</td>
<td>9.7</td>
<td>9.0</td>
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<tr>
<td>Distribution of workers</td>
<td>By hourly wage in 2005 £s (%)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>&lt;£5.00</td>
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<td>14</td>
<td>17</td>
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<td>£5.00-£9.99</td>
<td>47</td>
<td>47</td>
<td>47</td>
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<td>28</td>
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<td>£10.00-£14.99</td>
<td>23</td>
<td>23</td>
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<tr>
<td>&gt;£15.00</td>
<td>22</td>
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<td>24</td>
<td>15</td>
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<td>13</td>
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</table>

1. Based on employees aged 16–64. Those earning above £100 per hour or below £1 an hour are considered to be extreme outliers and are excluded.
2. “Recent” immigrants are those who entered the UK in the survey year or 4 (calendar) years before the survey was carried out.
3. “New” immigrants are those who entered the UK in the survey year or the (calendar) year before the survey was carried out.

Source: LFS.

Q6. **What is the economic impact of a net change in the UK population? If there is a net increase, does the impact differ when this comes from higher immigration rather than from changes in birth and death rates?**

12. Accurate estimates of both migration and the domestic workforce are important for policymakers to judge the amount of supply available and, in turn the balance between this and the demand for goods and services. For example, if immigrants raise aggregate supply more than they raise aggregate demand then one would expect inflationary pressures to ease for a period of time. For more details see box entitled “The macroeconomic impact of migration” in Bank of England (2006), *Inflation Report*, November.10

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10 See [http://www.bankofengland.co.uk/publications/inflationreport/ir06nov.pdf](http://www.bankofengland.co.uk/publications/inflationreport/ir06nov.pdf)
Q10. How does the impact of immigration vary across different regions of the UK?

13. Chart 7 shows that those immigrants who have arrived since the start of 2004 are more likely to settle, at least initially, in London than elsewhere.11

Chart 7: The share of new immigrants in each region, settled 2004-2006

Sources: ONS and LFS micr-data, 2004Q1–2006Q4

Q11. Are there any relevant parallels and lessons for the UK from the economic impact of immigration on other OECD countries?

14. The scale of net inward migration to the UK has been much lower than in most other EU countries until recently, and even now remains below the levels of both Italy and Spain (see Table 5).12

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### Table 5
NET MIGRATION FLOW, 1960–2005 (000s)

<table>
<thead>
<tr>
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<td>6.4</td>
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</table>

**Source:** Population Statistics 2006—Eurostat, Table C1 (population) and Table F1 (migration)
Q12. How do differences in migrants' skills affect the economic impact of immigration?

15. An increase in the number of immigrants, other things being equal, will raise the supply potential of the economy. But the extent to which potential supply increases will depend on the characteristics of immigrants relative to natives. The impact on the natural rate of unemployment will also depend on the characteristics of immigrants; in particular it will fall if immigrants help to fill skill gaps.

Q13. How can data on immigration be improved?

16. There are a number of sources of uncertainty around the official estimates of the number of migrants entering and exiting the country, and they primarily relate to the role played by the International Passenger Survey (IPS) in the construction of the data. Official estimates of net migration are primarily based on the IPS, a survey of individuals passing through the main UK air and sea ports and the Channel Tunnel. The ONS supplement the IPS with administrative data on asylum seekers and their dependents, and estimates of the migrant flow between the United Kingdom and the Irish Republic; the ONS also make other adjustments to account for those whose intended length of stay changes (see definitions below). The IPS questions 250,000 travellers annually. Of those, approximately 1% are migrant interviews. Headline IPS data are available for 2005, but more detailed statistics are only available for 2004 at present. In 2004, the IPS statistics were based on 2,801 people who entered the United Kingdom and 755 people who left. This is obviously a very small sample and is one reason why there are large uncertainties surrounding the official migration numbers. In addition, it is difficult for the survey to keep pace with the dramatic change in the pattern of arrivals as seen for example in the change in movements between the UK and Poland. Other reasons why the IPS may mismeasure immigration are that: the survey was not designed to measure net migration, it was designed to capture tourism and business travel; and participation in the survey is voluntary and immigrants may be less likely to respond (perhaps because of language difficulties). To address these issues, the ONS have published plans to improve migration data over the next few years by, for example, increasing the sample size of emigrants in the IPS.

17. Although the ONS definition of a migrant—that is, an individual who changes their country of usual residence for a period of at least a year—is appropriate for measuring the long-run impact of international migration on the population of the United Kingdom, it may be too restrictive when thinking about the economic impact of migration. Large numbers of individuals enter the country to study or to work for a period of weeks or months. These “visitors” will not be captured in the official migration statistics, but they may contribute to the level of demand and supply. These individuals will be recorded in the data collected by the Civilian Air Authority and the Department for Transport, and are discussed in the ONS’ monthly “Overseas travel and tourism” first release. A broader measure of the number of people present in the UK at any one time can be estimated using these data. By applying the net flows to an earlier census of the population (in 1991), and including subsequent births and deaths, the number of people in the UK at any time can be estimated. The estimates produced by this headcount method are shown in Chart 8 and compared to the official ONS data. To address these issues, the ONS are investigating the possibility of constructing estimates of short-term migration. For more details, see ONS (2006), Interdepartmental Task Force.

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14 This definition is consistent with the United Nations Organisation’s definition of a long-term migrant; that is: “A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence”. See United Nations Organisation (1998) Recommendations on statistics of international migration, Revision 1 for more details.
16 See http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14731
The economic impact of immigration: evidence

**Summary**

— The official data suggests that over the past decade there has been a rise in the net inflow of migrants to the UK. Net inflows of migrants have accounted for the majority of UK population growth over the past decade.

— The pickup in the net inflow in 2004 and 2005 was driven in part by the enlargement of the EU. While A8-born individuals represented a small proportion of immigration before 2004, the share of A8-born individuals has been much greater among immigrants who arrived in the past three years.

— A greater proportion of immigrants have degrees and therefore generally appear to be more skilled than those born in the UK. In addition, immigrants are on average younger than the UK population.

— Compared with UK-born individuals, immigrants are on average less likely to be employed. When employed, there is a greater share of immigrants at both ends of the occupation distribution than in the middle. Since 2001, the immigrant share has increased in all occupations, but by proportionally more in lower-skilled jobs.

— A disproportionate number of immigrants live in London where wages are higher therefore on average they have earned more than UK-born individuals. But since 2002, the real wages of “new” immigrants have fallen relative to the wage of those born in the United Kingdom.

— Accurate estimates of both migration and the domestic workforce are important for policymakers to judge the amount of supply available and, in turn the balance between this and the demand for goods and services.

— There are a number of sources of uncertainty around the official estimates of the number of migrants entering and exiting the country, and they primarily relate to the role played by the International Passenger Survey (IPS) in the construction of the data. In particular, the IPS statistics are based on a small sample and it is difficult for the survey to keep pace with the dramatic change in the pattern of arrivals.
Although the ONS definition of a migrant—that is, an individual who changes their country of usual residence for a period of at least a year—is appropriate for measuring the long-run impact of international migration on the population of the United Kingdom, it may be too restrictive when thinking about the economic impact of migration. Large numbers of individuals enter the country to study or to work for a period of weeks or months. These “visitors” will not be captured in the official migration statistics, but they may contribute to the level of demand and supply.

28 September 2007

Memorandum by Belfast City Council

INTRODUCTION

1. The information in this submission is derived from research on migration to Belfast commissioned earlier this year by Belfast City Council’s Good Relations Unit. Previous information on migration had been conducted on a Northern Ireland wide basis and this research sought to highlight facts, figures and trends relating specifically to the regional capital.

2. The research will be used to assist Belfast City Council in meeting its statutory responsibilities in challenging racism, discrimination and inequalities and in developing appropriate policy and practical responses to the rapidly changing and developing social character of the city.

A summary of the findings of the research shows that:

3. There has been a significant increase in the numbers of migrant workers moving to Northern Ireland over recent years.

4. This new migration has been generated by our growing economy and a demand for workers which cannot be met from the local population.

5. Our understanding of the issue is based on Northern Ireland wide research or based on the Dungannon/ south Tyrone/County Armagh area; there has been no specific research on Belfast.

6. There are difficulties in calculating exact numbers, but the report used NISRA statistics, figures from the Worker Registration Scheme, work permits issued, new registrations with GPs, registrations for National Insurance nos. and school census figures.

7. These figures indicate that the minimum number of working migrants who arrived in Belfast between April 2004 and March 2006 is 4,224 people.

8. By including figures for dependants and those outside the formal recording system, it is possible that as many as 7,500 migrants came in the same two year period; this is considered a conservative estimate.

9. Most new migrants to Belfast come from Poland, followed by Slovaks, Filipinos, Indians and Czechs. There are considerable variations by employment sector, with health sector employees predominantly Filipinos, Indians and Malays.

10. The term “migrant worker” covers a diverse range of nationalities, ethnicities, skills, and employment sectors and as such cannot be considered a homogenous group. Caution must be exercised when generalising about the experiences and needs of “migrant workers”.

11. There is a roughly 60/40 male/female split, most are within the 18–34 age range.

12. Around 16% of new migrants are children under the age of sixteen.

13. The Polish community is the most prominent, with a number of shops selling Polish products, bars selling Polish beers, a Polish magazine Glosik, regular meetings of the Polish community and social events, including a regular church mass in Polish.

14. A primary motivation for many migrants is improving their English. The Belfast Institute reported a 7-fold increase in the numbers of (adult) students taking the “English as a second language” course between 2002 and 2005, but no consequent increase in budgets for these programmes.

15. Growing numbers of migrant workers’ children will have an impact on school places. Increasing numbers of children with English as an additional language in schools are creating demands in terms of language support.

16. Most migrants in Belfast work in the construction industry, in the public and private health sector, in hospitality and in IT.
17. Recruiting staff locally is difficult in some sectors, resulting in a growing reliance on migrant labour and a perception that some sectors would struggle without it.
18. Local recruitment agencies reported a greater willingness from employers to take on migrant workers, some of whom are over-qualified for their posts.
19. Their level of English language skills is vital in determining their job prospects.
20. There are some examples of good practice among employers of migrant workers, for example, the Code of Practice developed by Business in the Community.
21. The Trade Union movement (ICTU) has been proactive in supporting the rights of migrant workers, in research and in developing policy in this area.
22. There have been limited resources to address the issue of providing services to the new migrant population. However, there have been various notable ad hoc initiatives, including, eg
   — a comprehensive range of rights based guides from the Law Centre et alia;
   — Hazelwood Integrated College offering Polish as a GCSE option; and
   — the Ulster Bank Group offering fee-free banking to migrant workers.
23. NI people are not noted for their tolerance and racist incidents in Belfast have always accounted for a high proportion of the total NI statistics.
24. Not all incidents are reported to the police and survey evidence indicates a substantial level of racial abuse and harassment experienced by many migrants.
25. Attempting to make a projection of the size of the migrant worker population in Belfast over the next five years has proved difficult.

Our responses to a number of the specific questions set by the inquiry are set out below:

What are the numbers and characteristics of recent immigrants? How do the characteristics of EU migrants differ from other migrant groups?

26. The research informed us that since the accession of a number of European Countries to the EU in 2004, roughly 7,500 new migrants came to Belfast between May 2004 and March 2006. This new number for just one year is just under 200% of the total number of migrants that were recorded as living in Belfast in the 2001 census (4,310) and is therefore a staggering figure. This also represents a quarter of recorded new migrants to Northern Ireland as a whole. Since 2006, there have been further increases. EU migrants are arriving in Belfast to work, with the trend that many of them plan to return home after a two year period. However, the latest data from schools shows a massive increase in children registering with English as an Additional Language. Twice the numbers in 2006–07 as there were in 2005–06, which would indicate that EU migrants are settling down, families are joining the main migrant worker and that people intend to stay for long periods.

27. Polish migrants make up roughly 40% of the total migrant population in Belfast and are the only “new” migrant grouping that have established themselves as a “community” within Belfast. They have several support networks and have engaged with the political structures of the city. Within the new wave of migration, 60% of migrant workers in Belfast are men and 40% are female.

28. The main characteristic in difference between EU migrants and other migrants would be found in comparing EU migrants with the local Chinese community. The Chinese Community has been long established in Belfast, since the 1920’s, with several second and third generation Chinese now well established in business and public life.

In what sectors and occupations are migrants employed—how does this differ from local workers?

29. Most of the male migrant workers are in the construction industry—one of the fastest growing industries in Northern Ireland. Others work in the hospitality and IT sectors. There is a rough 60/40 male/female split.
30. This is in contrast to for instance BME migrant workers, where 66% are female and 34% are male and work mostly in the health sector. Nursing staff from the Philippines account for a large proportion of these numbers and are based in the main hospitals, located in Belfast.
31. This differs from local patterns of employment in that the NI economy relies heavily on public sector employment; 72% of all public sector jobs are in Belfast.
32. There are 70,000 people employed in the private sector construction industry in NI and 3,500 of these are migrants; there is little evidence of migrants “taking local jobs”.

In THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

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What impact had immigration had on the labour market, including wages, unemployment and working conditions of the UK Workforce?

33. Both the construction and hospitality industries appear to be increasingly reliant on migrant labour. Belfast City Council has worked with the local branch of Business in the Community and has signed up to their Voluntary Code of Good Practice in the Employment of Migrant Workers. The Council has also developed an action plan on migration issues and through this will develop an engagement process with employers and developers to ensure that the conditions and terms of employment of migrant workers are as those of any other employee in a company.

34. We are aware that the Irish Congress of Trade Unions has undertaken some separate research on the subject of migrant workers and their families in Northern Ireland.

How does immigration affect the public finances? Do immigrants contribute more in taxes than they use in public services?

35. The research in Belfast tells us that migrant workers are hard working, many with more than one job and make substantial net contributions to the economy.

How has immigration affected public services such as health care, education and social housing? How does this differ across the country?

36. Local services, particularly health and education, are constantly being challenged to adapt in order to meet increasing demands. The arrival of migrant workers has created a positive challenge to Belfast in its attitudes to diversity, tolerance and to how services are delivered.

37. Education training programmes in understanding different cultural nuances, diversity training, translation services and provision of culturally weighted services (such as leisure centres providing female only swimming times) are all examples of how the new migration phenomenon has forced service providers to respond in a way that respects and upholds the rights of different cultural and ethnic needs.

38. The harmonisation of the recognition of educational qualifications across Europe remains an issue of concern. Some very highly skilled people, who have gained their qualifications outside the UK, find that these are not recognised when they migrate to Northern Ireland to find work and may have to re-train before they can find similar work here.

39. Our Belfast research indicated that many of the new migrants registered with employment agencies had high standards of education. Several had undergraduate and post-graduate qualifications but many found it difficult to gain employment within their particular field. One respondent cited an example of a migrant worker with a degree in microbiology currently working as a labourer.

40. Agencies stated that although they accepted qualifications from different countries, obtaining confirmation of these could be time consuming and problematic, especially in terms of getting them translated into English. Employers wanted someone with the appropriate experience for a specific job and in many cases migrants found it difficult to provide any evidence for their previous working experience.

41. Our Council’s Good Relations Grant Aid programme has also facilitated and enabled dialogue and understanding to take place between the local community and new emerging communities.

42. Belfast has very long-standing social and sectarian divisions (over 30 interfaces) and areas of significant social deprivation. Many migrants have tended to live in such areas as private rented accommodation is available and housing costs are lower. This has led to localised tension, conflict and in some cases overt incidents and violence.

44. The Council will continue to support efforts to create greater understanding and tolerance within host communities on the issues of migration, to demonstrate the economic benefits to the local community and secure the future economic viability and prosperity of the city.

_How can data on immigration be improved? How far have “inadequate data” affected public policy?_  

45. Belfast City Council is currently working with other agencies to develop a shared data collection mechanism among the statutory providers in the city on migration to Belfast. The Police Service for NI, the NI Housing Executive, Belfast City Council, the Department of Enterprise Trade and Investment and the Community Relations Council are working to co-ordinate our own current collection mechanisms. It is envisaged that this will provide statutory service providers with a mechanism that can give a clearer picture of the trends of migration: highlight where people are living, where people are working etc. This will enable service providers to be pro-active in responding to the needs of migrant communities and local issues. It will also enable us identify potential issues and hotspots and make better provision for those who will continue to come and work in Belfast.

_Should more be done to help immigrants boost their productivity?_

46. A number of measures could assist immigrants, which would probably have this effect of boosting their productivity. Such measures could include:

— Advice, support and information for migrants on local services, contacts and community infrastructure—in the language of the migrant.

— Easily accessible English language classes/training.

— Quick registration with local health and education bodies.

— Local intercultural experiences to promote better social interaction and community cohesion.

— Engagement by statutory providers with local employers and developers and better management of issues, to predict future migrant worker needs, assess accommodation needs, facilitate dialogue with indigenous people and ensure providing bridges to employment for local people.

— Promotion of good practice in the employment of migrant workers.


— Support for migrant communities to develop their own support and communications mechanisms to lobby for their own needs.

47. The Inquiry should also note that the Council’s Development Department is just beginning a major EU funded project on migration in which the economic impact on the city will be examined more closely and where the integration of migrant workers will form an integral part of Belfast’s drive for economic growth.

26 September 2007

_Memorandum by the British Hospitality Association_

1. The British Hospitality Association is the national association for the hotel, restaurant and catering industry. Our members operate some 40,000 establishments employing over 500,000 people. Overall, the hospitality industry, including those services where hospitality is not the primary purpose (e.g., education), employs some 1.64 million people (source: Labour Force Survey 2005). Excluding such services, employment in mid-2006 was some 1.23 million.

2. At any one time, the industry has an estimated 100,000 vacancies. Jobcentre Plus generally records around 35,000 to 40,000 vacancies at any time. It also has around 400,000 vacancies notified to it each year across the main occupations (managerial, chefs, hotel porters, catering assistants, waiters and bar staff).

3. Turning now to the questions in the Call for Evidence;

4. Question 1 (Numbers and characteristics): Recent migrants will be made up of four groups: those from the European Union, notably the “A8” Accession Countries; those on Work Permits for skilled workers; students and those here on such schemes as TWES (Training and Work Experience Scheme) and the Young Holidaymakers’ Scheme; and, inevitably, those working illegally. We do not have access to any data other than those produced by, or estimated by government. These indicate that, from May 2004 to June 2007, just over 127,000 A8 workers registered under the Worker Registration Scheme that their first UK job was in hospitality. The number of work permits issued for hospitality occupations has averaged around 12,000 a year, but the number has been tailing off, an issue we return to later.
5. The numbers arriving into hospitality occupations under student, TWES and Young Holidaymaker arrangements are not known to us, nor are the numbers of illegal or “irregular” workers.

6. It was assumed that the number of A8 arrivals would be low and that their length of stay would be short. Oxford University research using June 2006 Labour Force Survey data suggests that, of the 1.23 million employees of hospitality businesses (see above), some 21.5% were born outside the UK. A8 countries counted for 2.9%, about 35,000, ie just over a third of the 90,000 hospitality WRS registrants to that date. It seems that either A8 hospitality workers were leaving the industry to work in other sectors or were returning home, but the anecdotal evidence does not support the theory that most have left in these ways.

7. Question 2 (Sectors and Occupations): Migrant workers (defined as those not born in the UK) represent a third of the workforce in restaurants, a fifth in hotels and just a twelfth in bars. Again, a third of chefs/cooks in the industry are non-UK born and more than a third of these describe themselves as Asian or Chinese. It is very hard to assess how migrant workers’ labour market outcomes differ from those of “local” workers, though the Committee is no doubt aware of the IPPR report Britain’s Immigrants: An economic profile, which has just been published and which raises a number of interesting conclusions.

8. Question 3 (Why do employers want to hire immigrants?): As indicated above (paragraph 6), over 20% of hospitality workers were born outside the UK, compared with just over 10% of all workers (source: IPPR report, table 4.1). We think there are three main reasons for this: first, as a specific reason for this industry, the increased popularity of ethnic cuisine is dependent on a flow from the relevant countries of chefs in particular. Of 6,626 chefs of all grades granted Work Permits in the year from October 2006, at least two thirds (we do not have a complete analysis) came from Asia.

9. Secondly, the hospitality industry is one which offers easy to find “entry level” jobs which do not generally require a high level of trained skill or complex and lengthy recruitment processes; those entering a job market for the first time, whether as migrants or students from the domestic economy, are likely to gravitate to these jobs. A long standing example is bar work, traditionally taken up by many of those entering the UK on the Young Holidaymakers Scheme.

10. The third reason why hospitality workers from overseas are recruited is because, in many cases, they are seen as having more to offer than the domestic workforce. There are many anecdotal stories about the high quality of many A8 workers. As the IPPR report concludes, “it would seem that the average immigrant has better economic characteristics than the average UK-born person.” The hospitality industry has gained from this because, again to use the example of Poland, those working here have had on average higher levels of education than UK workers. They will be a little older than UK entrants to the labour market and will have developed more of the “people” skills which are essential to the provision of good service standards.

11. The obvious alternative to immigration to reduce labour shortages would be a greater supply of young British-born people willing and ready to take jobs in hospitality. For example, only 11% of UK-born people are aged 16 to 24, but 22% of those living here but born in Poland are in this age group. Contrary to popular perceptions, the industry can offer good career development prospects compared with more popular sectors like “media”. For years, the industry has supported Springboard UK, which helps to encourage not only young people, but also groups such as women returning to the labour market after a long absence, to take hospitality jobs. We are in discussion with Jobcentre Plus about renewed schemes to make it easier for young people currently not in work to be trained and offered work opportunities with a view to permanent employment in hospitality.

12. (Question 4: Impact on the labour market): Taking wages first, Low Pay Commission research indicates that around 15% of hospitality employees are paid at minimum wage rates and that, especially since 2004, differentials (between lowest quartile and median earners) have narrowed. In our view, this is because, once employers have raised wages to meet minimum wage rates, there is not enough in the kitty to reward higher paid workers. We do not think this has been affected by, or has affected immigration.

13. There is evidence that the number of jobs in hospitality fell by 25,000 in the year to mid-2006 (source: Low Pay Commission) just at the time that the inflow of A8 workers into the industry was at a high level. This indicates at first glance that low paid UK-born workers’ jobs were doubly squeezed, though the Low Pay Commission’s conclusion was that the jobs lost were at supervisory and management levels, particularly in the bar trade (LPC 2007 report, paragraph 3.31).

14. (Question 5: Illegal Immigration): We have been involved with the Home Office’s Illegal Working Group for several years, during which time evidence has emerged suggesting that, across the whole economy, there may be some 500,000 illegal or irregular workers. There is no doubt that many of these will be working in hospitality and a high probability that they will be paying for their illegality by having to accept lower wages than the minimum wage. We support enforcement both of the laws against illegal working and of the law to
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

compel payment of the minimum wage (though, ironically, the latter does not protect illegal workers) because we do not want to see employers who obey the law undercut.

15. (Questions 12: Migrants’ skills; government migration and labour market policies; and 14: Points Based System and skill shortages): The number of hospitality industry Work Permits issued in the last six quarters (starting in April 2006) has been, respectively, 3,049; 2,893; 2,753; 2,456; 2,265; and 2,105. The number of these issued for “chefs” has been, respectively, 1,525; 1,494; 1,466; 1,247; 1,065; and 1,007. These reductions appear to be due to a number of factors, including some inconsistency between different parts of Work Permits UK and a generally tougher attitude to applications at this level.

16. The introduction of Tier 2 of the Points Based System, expected around October 2008, will, we think, reduce further the number of non-EEA hospitality workers permitted to enter the UK, particularly at “Chef de Partie” (NVQ3) level. The points system, as currently envisaged, would require such chefs to be paid at least £22,000, well above the current levels (except perhaps in parts of London). The alternative, that the Migration Advisory Committee might recommend chefs as a shortage sector, thus bypassing the salary requirement, is uncertain until the Committee starts work.

17. A further complication, which we have raised at senior level, is that Tier 2 workers will require a high standard of English at entry, which many, maybe most, ethnic chefs simply do not have. We therefore face the possibility of the supply of ethnic chefs drying up under the Points Based System. It is unclear what labour market policy could be introduced to resolve this.

18. We understand that, until Romanian and Bulgarian workers receive the same entry rights to the UK as those enjoyed by A8 workers, any low-skilled (Tier 3) scheme will have to be restricted to those two countries. In the long term, we think it unlikely that the government will be sympathetic to demands for Tier 3 schemes, though there might be an easier case in relation to additional demands for workers around the time of the 2012 Olympic and Paralympic Games. In any event, the rise in youth unemployment in the UK demands an imaginative response and we mention above (paragraph 11) discussions between this association and Jobcentre Plus to assist, in particular, young jobless people to obtain permanent jobs in hospitality.

2 October 2007

Memorandum by Professor William Brown, Cambridge University

INTRODUCTION

Since about 1980 income inequality in Britain has increased rapidly. Part of the reason is that the relative position of the lowest paid workers deteriorated substantially. In 1999 a National Minimum Wage was introduced, which reversed this trend, improving the relative position of the lower paid substantially. Quite independently of this, over the past ten years, the British economy has experienced an unprecedented increase in net immigration. The influx of relatively unskilled labour threatened to worsen further the relative position of the low paid. This note discusses whether the presence of a National Minimum Wage (NMW) has moderated this effect.

THE INTRODUCTION OF THE NMW

Until 1999, Britain had no comprehensive legally enforced minimum wage. The main method of wage fixing for most of the 20th century had been collective bargaining. At their most extensive, in about 1970, collective agreements covered about 80% of all employees. In addition, for something over 10% of employees, there were legally enforced minimum wages, fixed by institutions called “wages councils”, for specific industries, such as retail, hotels, and agriculture. The decline of trade unions and their influence in the private sector at the end of the 20th century brought a major change. By 2000 the coverage of collective bargaining had fallen to about 30% of employees. In addition, in 1993 the government abolished wages councils for all industries except agriculture. The effect of these changes, combined with increased international competition and the automation of many unskilled jobs, contributed to a relative decline in the pay of less skilled workers, a decline that had started in about 1980.
The economic impact of immigration: evidence

Figure 1

The percentage increase in pay 1992–97 of different percentiles of the UK income distribution, expressed as deviations from percentage increase of the median.

Figure 1 portrays how income was becoming increasingly unequal during the 1990s. It shows, for each percentile in the income distribution, the extent to which wage increases between 1992 and 1997 differed from the median employee’s wage increase. It will be evident that the lowest paid workers experienced deteriorating relative wages. There is every reason to suppose that this deterioration would have continued, had there not been the major intervention of the introduction of the NMW.

The NMW came into effect in 1999. The NMW’s initial level, and all subsequent increases, have been fixed on the advice of an independent Low Pay Commission (LPC), which has equal numbers of trade union and employers representatives. As Figure 2 shows, initially the annual increases were cautious, but from 2003 onwards, the NMW has been raised faster than average earnings. As a result, its impact since then has been increasing. The NMW was increased from an initial 47.6% of median earnings in 1999 to 52.1% of median earnings in 2006. In terms of the number of employees directly benefiting, this rose from 1.2 million in 1999 to 2.1 million in 2006—that is, to directly benefit nearly one employee in ten.

Figure 2

Increases in national minimum wage, average earnings and prices

<table>
<thead>
<tr>
<th>Date of NMW increase</th>
<th>NMW adult rate per hour (workers aged 22+)</th>
<th>Increase in NMW since previous NMW setting</th>
<th>Increase in average earnings index since previous setting</th>
<th>Increase in retail price index since previous setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 1999</td>
<td>3.60</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1 October 2000</td>
<td>3.70</td>
<td>2.8</td>
<td>3.1</td>
<td>2.7</td>
</tr>
<tr>
<td>1 October 2001</td>
<td>4.10</td>
<td>10.8</td>
<td>4.3</td>
<td>2.3</td>
</tr>
<tr>
<td>1 October 2002</td>
<td>4.20</td>
<td>2.4</td>
<td>3.7</td>
<td>2.3</td>
</tr>
<tr>
<td>1 October 2003</td>
<td>4.50</td>
<td>7.1</td>
<td>3.6</td>
<td>2.7</td>
</tr>
<tr>
<td>1 October 2004</td>
<td>4.85</td>
<td>7.8</td>
<td>4.2</td>
<td>2.1</td>
</tr>
<tr>
<td>1 October 2005</td>
<td>5.05</td>
<td>4.1</td>
<td>3.7</td>
<td>2.3</td>
</tr>
<tr>
<td>1 October 2006</td>
<td>5.35</td>
<td>5.9</td>
<td>4.0</td>
<td>3.2</td>
</tr>
</tbody>
</table>

The impact of the NMW on incomes was immediate and substantial. Figure 3 has the same form of analysis as Figure 1, showing the extent to which the income increase for a given period, for each percentile in the national income distribution, differs from the income increase experienced by the median employee. To help comparison, Figure 3 repeats the portrayal for 1992–1997, before the NMW, that was shown in Figure 1. It
also portrays the increases after the NMW was introduced, for the initial period 1998–2003, and also for the longer periods 1998–2004 and 1998–2006, during the latter part of which the NMW was being increased faster than average earnings. It will be evident that the impact on the bottom five per cent or so of income earners was dramatic, with the previous five years’ relative decline in pay being sharply reversed into substantial relative increases of from 5 to over 20%. Indeed, the whole bottom quartile of the income distribution swung around from relative decline to relative improvement. It will also be evident that this relative improvement increased further in the three years up to 2006. At the top of the income distribution, inequality continued to increase as it had done in the 1990s. But at the bottom end, there was a substantial and sustained improvement in relative pay, a reduction in inequality, which can be directly attributed to the introduction of the NMW.

**Figure 3**


![Graph showing percentage increase in hourly earnings](image)

**Source:** ONS, New Earnings Survey 1992–1997 and 1998–2003. Annual Survey of Hours and Earnings (ASHE) without supplementary information, 1998 and 2004, and ASHE with supplementary information, 2006. Gross hourly earnings excluding overtime. There is a change of definition in ASHE in 2004 so comparisons using identical data definitions between 1998 and 2006 are not possible. We make such a comparison for illustrative purposes only. Consistent NES data is available from 1992 to 2003 and is also shown.

**Employment Effects**

In the years leading up to the introduction of the NMW, political argument about it concentrated upon its possible effects upon employment. Some commentators feared that the working of the labour market would mean that a statutory minimum wage would price many workers out of jobs and increase unemployment. As a result, the LPC has devoted considerable care to monitoring the employment impact of the NMW. It has commissioned surveys and a substantial number of technically sophisticated research analyses in order to investigate employment effects. These are described and summarised in successive LPC reports17.

17 The most recent of eight reports is National Minimum Wage: Low Pay Commission Report 2007, London: The Stationary Office, Cm 7056. These reports summarise the research work commissioned. The research commissioned by the Low Pay Commission can be accessed through the website (www.lowpay.gov.uk).
Figure 4 gives data on aggregate employment and unemployment from 1992 until 2007. It will be evident that the period since the NMW was introduced in 1999 was one of steadily increasing employment, and of declining, and then relatively stable, unemployment. The current level of unemployment is about 5.5%.

**Figure 4**


Source: ONS, LFS, all aged 16 and over employed (ONS code MGRZ) and unemployed (ONS code MGSC), monthly, seasonally adjusted, thousands, UK, 1992–2007.

The research conducted for the LPC suggests that the NMW has tended to squeeze pay structures at the lower end, but that employers have adapted to this without significant productivity loss. Indeed, a significant employer response has been to increase the productivity of affected workers by improving capital equipment, training and work discipline. There has been a slight reduction in hours worked by those affected. There has been a slight impact on profits but none on company closures. There has been a slight upward impact on consumer prices for some services. One of the most effective statistical tests used “difference in difference” techniques, which compare the experience of workers affected by the minimum wage with that of workers unaffected but with otherwise similar characteristics. These have failed to detect any significant adverse employment effects arising from the introduction of the NMW, or from subsequent increases in it.

Figure 5 shows what has happened to employment in the major sectors affected by the NMW since its introduction in 1999. It analyses this in terms of the share of total employment in the economy, in order to eliminate distortions arising from the fact that the economy was growing as a whole over the period. It will be evident that for the most important sectors, their share of total jobs was expanding. The NMW may or may not have slowed the growth of these sectors—it is always difficult to assess what might have happened if circumstances had been different—but certainly the NMW did not prevent their growth. The sectors where employment share was falling—agriculture, textiles, clothing and footwear—have been subject to decline over many decades as a result of long-term trends in technology and trade. The NMW cannot have been a significant contributor to this.
Figure 5

CHANGE IN JOB SHARE IN THE MAIN SECTORS AFFECTED BY THE NMW

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employee jobs March 1999</th>
<th>Employee jobs March 2006</th>
<th>Absolute change in number of jobs 1999–2006</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>thousands</td>
<td>thousands</td>
<td>thousands</td>
<td>1999</td>
</tr>
<tr>
<td>All</td>
<td>24,206</td>
<td>25,918</td>
<td>1,712</td>
<td>100</td>
</tr>
<tr>
<td>All low paying sectors below</td>
<td>6,311</td>
<td>6,698</td>
<td>387</td>
<td>26.1</td>
</tr>
<tr>
<td>Retail</td>
<td>2,525</td>
<td>2,818</td>
<td>293</td>
<td>10.4</td>
</tr>
<tr>
<td>Hospitality</td>
<td>1,557</td>
<td>1,743</td>
<td>186</td>
<td>6.4</td>
</tr>
<tr>
<td>Social care</td>
<td>073</td>
<td>1,101</td>
<td>128</td>
<td>4.0</td>
</tr>
<tr>
<td>Cleaning</td>
<td>435</td>
<td>434</td>
<td>−1</td>
<td>1.7</td>
</tr>
<tr>
<td>Agriculture</td>
<td>271</td>
<td>204</td>
<td>−67</td>
<td>1.1</td>
</tr>
<tr>
<td>Security</td>
<td>128</td>
<td>158</td>
<td>30</td>
<td>0.5</td>
</tr>
<tr>
<td>Textile, clothing, footwear</td>
<td>306</td>
<td>127</td>
<td>−179</td>
<td>1.3</td>
</tr>
<tr>
<td>Hairdressing</td>
<td>98</td>
<td>112</td>
<td>14</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Let us summarise the argument thus far. The introduction of the NMW, at a time when the relative pay of the lowest earners in the UK economy was deteriorating, has had a substantial impact. It has reversed the decline. But, contrary to simple economic predictions, this has not so far had any significant discernable adverse effects on employment. The largest affected sectors have continued to see employment grow as a share of the British economy. We can now consider the implications for the effects of substantial immigration.

The Impact of Immigration

Until the 1990s, the UK generally lost more people through emigration than it gained through immigration. Then, as Figure 6 shows, immigration started to rise substantially faster than emigration. These official figures underestimate the net immigration because there is a greater tendency for individuals to conceal their entry than their exit from the UK. It is, for example, officially estimated that there are approximately 500,000 "illegal" or undocumented immigrants working in the UK at present. The proportion of the UK workforce born outside the UK rose from 6 per cent in 1995 to 11.5 per cent in 2005. The increase in net immigration has been particularly substantial since the accession of the eight new EU member states since May 2004. Britain placed no significant restrictions on their admission. In the initial two years to April 2006, nearly 400,000 workers from these states were registered—which understates the numbers since self-employed do not have to register. In the year to April 2006, National Insurance numbers, necessary for legal registration for work, were issued to 662,000 overseas nationals, an unknown proportion of whom would have been seeking temporary employment, planning to return home soon.
Although the precise statistics on migration are still very unclear, what is undisputed is that, since the late 1990s, and especially since 2004, Britain has experienced a higher rate of immigration, and of net immigration, than at any time in its history. These migrants tend to be relatively young (80 per cent are between 16 and 34), and evenly balanced between men and women. Compared to the indigenous population, they tend to be disproportionately both highly and lowly qualified in terms of skills and education. That is, they contain a higher proportion of graduates, but also a higher proportion of people with relatively low skills than the native population. They tend initially to move into less skilled jobs than their education and training would suggest, but as they settle in and learn English, they tend to move up the job ladder faster than the indigenous workforce. At first, however, migrants tend to compete for jobs disproportionately with those indigenous workers who are at the bottom of the income distribution.

The LPC commissioned research into the effects of recent migration on pay in Britain. This analysed the different experience of different regions over time. It identified slight positive income effects for workers higher up the income distribution. But, at the lower levels of income, there was clear evidence that the increased competition for relatively unskilled work that was arising from the high levels of immigration was tending to depress wages. Immigration has tended to increase numbers of non-immigrant workers at the low end of the income distribution. It has “increased the spread of the distribution below the median, but has done little to affect the distribution above the median”. The authors conclude: “This suggests that the minimum wage performs an important role to secure wages of workers who otherwise would lose out from immigration”.

Three additional points should be made in assessing the role being played by the NMW in moderating the impact of immigration on the pay of non-immigrants. First, many immigrants are more vulnerable to exploitation than native workers. They often do not speak English. Some are in Britain illegally and have been smuggled in by criminal gangs who use violence and blackmail. These gangs have been known to threaten immigrants’ families back home and exploit the indebtedness of those who have paid to be smuggled in. Immigrants are often persuaded to pay exorbitant rents for inadequate housing. As a result many of the new immigrants pose a potent economic threat to the non-immigrant workers. Willingly or otherwise, many immigrants would, if the law permitted, accept rates of pay well below the prevailing levels. In the absence of the NMW, it is likely that the lowest wages in Britain would have continued to see the decline relative to the median employee that was so evident in the years preceding 1999 portrayed in Figure 1. More importantly, the decline that was already evident in the 1990s would most probably have been exacerbated after 1999 as a result of the unprecedented influx of immigrants.

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Second, it could be argued that the NMW, by forcing up the wages of the lowest paid in Britain, has actively encouraged the high level of immigration that has recently been experienced. There may be some truth in this, but it is unlikely to be a substantial point. The average income levels of the countries from which most of the recent migrants have been coming, whether China, Somalia, Rumania or Poland, are so very much lower than in the UK—at a quarter or even a tenth of UK levels—and their levels of unemployment are so high. One can be confident that immigrants would have been attracted in large numbers even if pay at the bottom of the UK labour market had, unprotected by the NMW, fallen substantially further.

Third, it has been important that the NMW has been strongly enforced. Britain does not have an official labour inspectorate. With the exception of health and safety at work and the NMW, individual employment rights rely upon aggrieved workers taking action against their offending employers, which is not very effective for those in weak labour market positions. But the NMW is different because it is enforced by Her Majesty’s Revenue and Customs, the tax authorities, who are experienced and respected as enforcers of the laws they uphold. As a result, although undoubtedly some employers do cheat their workers on the minimum wage, their numbers are probably not large, and there is a general belief that the NMW is enforced. There is also a new public body, called the Gangmasters’ Licencing Authority, to enforce various aspects of the law for labour agencies in some sectors, most of which deal with migrant labour. In brief, the law on the minimum wage, and some aspects of the employment of immigrants, are subject to exceptionally close monitoring and enforcement.

CONCLUSION

The recent influx of migrant labour has been greater, as a proportion of the workforce, than Britain has ever experienced. The threat this has posed to the income and employment of less skilled non-immigrant workers has been especially acute. It is probable that, in the absence of the NMW, wages at the lower end of the income distribution, which were already deteriorating relative to the median during the 1990s, would have subsequently experienced additional deterioration as a result of the immigration.

What happened in fact was that the introduction of the NMW in 1999 abruptly reversed the deteriorating position of the lower paid. It established an effective and well-enforced “floor” to wages. From 2003, the NMW was raised at a faster rate than average earnings were rising, at a time when immigration was increasing. Despite this influx of labour, as Figure 3 shows, between 2003 and 2006 the raising of the NMW achieved further improvements in the relative earnings position of the lowest paid. Furthermore, there is no evidence that these improvements in wages arising from the NMW have damaged employment. The most affected sectors, which are also sectors that have attracted substantial numbers of immigrant workers, have seen both their employment, and their share of employment, rise. In short, the NMW has been effective in achieving its objectives, despite the substantial market challenge of an unprecedented influx of migrants.

A reasonable speculation is that, in the absence of an NMW, the recent wave of immigration would have had a damaging effect on the relative pay of many less-skilled non-immigrant workers. This has important policy implications. Likely popular responses might have been civil unrest, petty nationalism, attacks on migrants, and severe ethnic tensions in the more depressed parts, and among the more discrimination-prone communities, of Britain. In brief, had the NMW not been introduced in 1999, it is likely that these adverse social consequences of immigration on the pay of indigenous Britons would eventually have forced government to introduce something very similar.

July 2007

Letter from Mr Meyer Burstein

My name is Meyer Burstein. I am the co-founder and former Co-Chair of the International Metropolis Project. Prior to that, for approximately 10 years, I served as the Director-General of the Strategic Planning, Research and Analysis Branch at Citizenship and Immigration Canada. In that capacity, I was, among other things, responsible for the management and design of the immigrant selection (points) system.

Thank you for the opportunity to submit comments to the Economic Affairs Committee. The questions posed by the Committee are both important and timely: Important because they proceed from the recognition that immigration is a matter of choice for democratic societies; timely, because economic restructuring, demographic change, technological advance and shifting public attitudes create inexorable pressure for that choice to be exercised wisely.

My comments are rooted in Canada’s immigration experience since the early eighties. That experience suggests a need for rebalancing Canada’s portfolio of policies, programs and partnerships in order to achieve improved economic outcomes for both immigrants and their hosts. The lessons may have broader application.
Recent economic evidence is shedding light on the profound changes that have occurred in immigrant economic performance over the last two and a half decades. Until the 1980s, immigrant earnings had quickly eclipsed those of similarly endowed, native-born Canadians. Then the picture changed dramatically. Successive arrival cohorts experienced sharp declines in both earnings and other measures of economic success. This fall in performance persisted through the nineties and, though somewhat attenuated, is still in evidence today. It is by no means certain that new arrivals will attain native-born earning norms, notwithstanding the fact that catch-up rates have improved slightly. Not surprisingly, immigrant and minority poverty has risen sharply.

Undoubtedly, some of the decline in economic performance can be attributed to the decline in manufacturing jobs and the consequent reduction in absorptive capacity but there is more to the story. Better tailoring immigration to the business cycle would also have helped. Nevertheless, other measures are needed—particularly for immigrants from non-traditional backgrounds who have been hit the hardest.

The prevailing view among Canadian economists is that the earnings decline is related to a number of factors, notably: (i) Overarching structural adjustments that have depressed the earnings of all new labour market entrants; (ii) A fall in the value that markets attach to non-Canadian work experience; (iii) A compositional shift that has increased immigration from countries where employers discount educational (and other) credentials obtained abroad; (iv) A sharp decline in English and French fluency among workers; and (v) discrimination. In particular, there would appear to be a growing consensus that language plays an especially critical role and that recent immigrants lack the communication skills demanded by the labour market. Greater uncertainty persists regarding the extent to which declining returns to work experience and education reflect discrimination or, more benignly, declining returns to age, differences in educational quality and problems of acculturation.

Policymakers must be especially concerned with economic (and social) integration because it constitutes both an outcome and a lever. As lever, successful integration plays a critical role in leveraging public support. The ability of governments to manage integration is limited. Governments contribute and shape essential services but much of the work of integration takes place in private settings involving employers, schools, religious institutions and NGOs. To persuade these stakeholders to invest in integration, there must be an expectation that immigrants will not only draw on the public purse, but also contribute to it. The success of the Canadian policy model has depended on the success of Canada’s immigrant population and the ability this has given governments to leverage crucial public support. The current downturn in immigrant fortunes places that leveraging capacity at risk.

A second link between successful integration and integrative capacity originates in the changing face of cities. As foreign-born populations grow, newcomers and minorities are no longer being integrated by, or into, the “traditional” host community. Instead, they are being integrated by other immigrants and minorities into settings that do not contain dominant majorities. Research tells us that newcomers rely primarily on the family—and not the state—for information about jobs, residence and services. They also rely on ethnic and religious community organisations. Unless families and communities are successfully integrated, their capacity to undertake crucial integration tasks is seriously compromised and, with it, the capacity of the integration system as a whole.

Canada, like the UK, cannot afford failure. Declining incomes and growing long-term poverty among immigrants and minorities has raised worries about second and subsequent generations; in particular, worries have mounted about the dangers of developing a metropolitan underclass comprised of visible minorities—who now make up roughly three-quarters of Canada’s immigrant intake. Governments must act decisively to avert such an eventuality by improving immigrant economic prospects. This realization is producing changes—or pressure for change—in several areas of domestic policy. These may be of strategic interest to UK policy development.

One of the key lessons to have emerged in Canada is that a policy of anchoring immigration levels to vague demographic objectives and ignoring the state of the labour market has been problematic. Time will tell how costly this “experiment” has been—a function of how long the economic “scarring” associated with entry during periods of weak economic performance persists and whether intergenerational effects occur. There is ample evidence to support pro-cyclical immigration levels management. Clearly, absorptive capacity matters! Putting excessive pressure on this capacity leads not only to poor labour market outcomes for new arrivals but to poorer outcomes for all entrants.

From a labour market perspective, Canada stands to gain most from highly trained, selected immigrants whose skills complement those of the domestic workforce. Hence, careful management of the point system is essential. This said, non-selected migrants account for roughly four out of every five entrants and supply 25%
more workers to the Canadian labour market than does the skilled worker program. In order to improve labour market outcomes, immigration policy management must address both flows. Three broad sets of policy changes are required: first, adjustments should be made to the point system and the way it is managed; second, admission structures should be altered; and, third, changes should be made to integration programs and delivery systems.

(i) Changes to the Point System

Under Canada’s point system, all points are fungible meaning that points awarded for “non-performing” factors can offset (a lack of) points for factors that are critical to labour market success. In the current system, the factors pertaining to age and experience are both problematic. Based on current analysis, the age range for obtaining maximum points needs to be reduced substantially as does the allotment of points for experience, which tends to be heavily discounted by the labour market. By the same token, language skills, which are emerging as absolutely critical, do not seem to be adequately captured in the current system. Labour markets would be better served by language assessments that are more closely tied to job requirements and, more controversially, by abandoning the practice of awarding points for ability in the second official language. In terms of education, additional points should be awarded to applicants in highly skilled trades. There is a demonstrated, economy-wide need for such skills, however, the points system is biased against such occupations. In addition, consideration should be given to awarding points for targeted fields of study as opposed to (merely) level of educational attainment.

More generally, economic migration needs to be managed with a view to minimizing backlogs. Aside from creating lags, which produce a mismatch between applicant skills and current employer needs, backlogs are a clear indication that applicant “quality” has been compromised.

(ii) Changes in Admission Structures

Difficulties linked to non-recognition of credentials and work experience can, to a certain extent, be circumvented by opening up new admission channels to migrants who are studying or working temporarily in the country. Recent shifts in this direction by Canada—involving both students and temporary workers—will have a salutary effect on labour market outcomes. The Australian experience on this front is positive and clear.

A further measure that would accelerate labour market integration and counter various difficulties associated with the non-recognition of foreign work experience would be to enhance the participation of private employers, provinces and other institutions in the selection process—either by raising the points awarded for prearranged job offers or, more directly, by routing a larger proportion of the permanent migration stream through temporary employment channels. Research has shown that domestic work experience “validates” previous, overseas experience. In exchange for greater access to foreign workers, employers should be induced to invest more heavily in language training and in upgrading skills.

(iii) Changes to Integration Machinery

Notwithstanding improvements that can be made in Canada’s immigrant screening machinery, serious investments will be needed in integration if economic outcomes are to be improved. Several areas stand out, in particular language training, job placement, credential and skills recognition and anti-discrimination. There is mounting evidence that immigrants lack the more complex language and communication skills that are required to function effectively in today’s labour market. Current initiatives aimed at tying enhanced language training more closely to labour market needs are steps in the right direction. Bridging programs have also demonstrated that they can play an important role in facilitating labour market integration. A number of successful designs are currently in play, among them paid internship programs lasting anywhere from four months to a year. Programs need to be “employer friendly” and occupation-specific. Finally, credential recognition and anti-discrimination measures must be reenergised and refocused. The latter need to concentrate on ensuring job access and promotions as opposed to equal pay.

Achieving improved labour market integration—and, by extension—improved economic outcomes for both newcomers and the host population will require closer collaboration among different levels of government (including municipal government), employers and non-governmental organisations. The onus must be on institutions, and not on immigrants, to coordinate policy interventions. Among the capacity-building measures that are needed are support for local communities, including cultural communities, that play a critical role in economic and social integration and in forging expectations; public education and information

THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE
programs are also needed to broaden local support, to create fertile ground for engagement and to build positive inter-group relations, a core requirement for successful economic integration.

9 September 2007

Memorandum by Business for New Europe

INTRODUCTION

— Business for New Europe (BNE) welcomes the opportunity to respond to the House of Lords Economic Affairs Committee inquiry on the subject of the economic impact of migration on the UK economy.

— BNE is an independent coalition of UK business leaders. Our aim is to support the UK’s active engagement in Europe, and to promote a reformed, enlarged and free-market EU. We recognize the benefits that cooperation with our European partners brings. Since our launch in March 2006, we have become a leading pro-Europe organization in the UK, gaining a good deal of press coverage for our views. We have a number of leading business figures serving on our Advisory Council (for more information see www.bnegroup.org).

BNE’s VIEWS ON MIGRATION

— Free movement of people, enshrined in the Treaty of Rome (1957), is a fundamental principle of the EU, and this should be encouraged. It is part of the EU’s overall vision of free movement of goods, services, capital and people.

— The free movement of people principle has had far-reaching effects on immigration. At the same time, it has also affected emigration from the UK. Many British people have taken advantage of the freedom to move within the EU, by working, studying and living in other EU member states. There are an estimated 677,000 Brits in Spain, 301,000 in France and 132,000 in Germany. In total, 1.57 million Brits are living in other EU countries.

— BNE has taken a clear and consistent approach advocating open labour markets, because in the long-run this approach will lead to greater economic growth, productivity and entrepreneurship. For instance, see appendix 1 for an example of a letter in the FT.

THE A8 MIGRATION

— Following the EU’s enlargement of 2004, the UK took the lead in opening its labour markets to workers from the A8 (eight eastern European countries which entered the EU in 2004). The UK has benefited from being one of only three member states (along with Ireland and Sweden) which immediately opened its labour market to Eastern European workers.

— Despite the government badly under-estimating the number of workers moving to the UK for work, the UK economy has benefited from the influx of workers from Eastern Europe since 2004.

— The EU’s enlargement since 2004 to take in the countries of eastern Europe has been an undoubted success. It has benefited not only the incoming countries, but also the established member states.

— The migration has contributed to UK economic growth. Last year the highly respected Ernst and Young item club reported that the 2004 migration “has proved remarkably positive for the economy, keeping interest rates a 0.5% lower than they would otherwise have been.”

— According to official statistics, 683,000 people from the eastern Europe have registered for work in the UK since 2004. Most are young and single, and anecdotal evidence suggests very hard-working. 82% are aged 18–34, only 8.4% of the total have dependents, and only 1.3% of all the migrants apply for income support and jobseekers allowance.

— Despite the fears, evidence suggests that this wave of migration has not created unemployment. ADWP study (Working Paper Number 29) concludes: “We have found no discernable statistical evidence to suggest that A8 migration has been a contributor to the rise in claimant unemployment in the UK.”

— Some of the migrants have been working in the UK public services, such as the hospitals, schools and the transport network. From June 2006 to June 2007, 2,400 A8 nationals registered to work as bus and lorry drivers, whilst 5,100 registered as care workers.
The influx of migration has had a positive impact on particular sectors of the economy. For instance, Sir John Gieve, the Bank of England’s Deputy Governor, said in a speech in March 2007: “The single most important factor [in helping the City’s growth is] its skilled labour and financial know how . . . The free movement of labour within the European Union and relative openness to immigration by those with specific expertise from outside it, has also meant that employers in the financial sector can access the world labour market. And the relative flexibility of the labour market here in the UK compared to others in Europe may also be a factor.”

Since 2004, more and more countries have abandoned restrictions and opted to follow the UK’s enlightened policy of openness towards the A8 (countries with no restrictions on A8 nationals include Spain, Portugal, Greece, Finland, Italy, in addition to Ireland, Sweden and the UK).

Bulgaria and Romania

BNE believes that Bulgarians and Romanians should have unrestricted access to the UK and be given the same rights as other citizens of Europe. It would send a positive anti-protectionist message to the rest of Europe, and to Romania and Bulgaria too.

We were, therefore, disappointed when the government announced restrictions on Bulgaria and Romania in September 2006, and issued the following statement: “Some Romanians and Bulgarians will no doubt want to work in other EU countries, including the UK. This is in accordance with the free movement of workers which is a fundamental principle of the EU. As with previous enlargements, such migration can be expected to make an important contribution to the British economy, filling crucial skills gaps in the labour market. The UK can only benefit from the cream of eastern European talent. We urge the government to open our labour markets at the earliest opportunity. This development should be viewed with celebration rather than cowardice.”

The balance of evidence suggests that their influx would further benefit the UK economy. The key precedent is that the previous enlargement of 2004 has been an economic success and plugged gaps in the UK labour market. Of course these effects have not been confined to the economic realm, and the migration has had some important social implications which the government must address.

The number of Bulgarians and Romanians to come to the UK since January 2007 has been limited. Only 9,600 people came to the UK from these countries between April and June 2007. So there has been a steady flow from these countries, which put the excessive estimates from some groups of 300,000 migrants coming to the UK from Bulgaria and Romania in their proper context.

Conclusion

BNE believes that the immigration to the UK from other EU member states has been of great economic benefit to the UK economy.

We would like to see a full opening up of the UK’s labour market, which would put Bulgarians and Romanians on an equal footing to the rest of EU citizens. The fact that we are moving to a situation of open labour markets across the entire Union is something that we whole-heartedly welcome.

The enlargement of the EU has been one of the Union’s most successful policies and furthermore its effect of increasing immigration to the UK, has also been an economic success for the UK.

APPENDIX 1

FT Letter, 29 August 2006: Business leaders call for open market approach towards Bulgaria and Romania.

If Bulgaria and Romania join the EU at the beginning of next year, the UK should continue with its open door policy. A so called pause in migration from these countries would be tantamount to a reversal of policy and could work against Britain’s interest.

Migration to the UK from Europe, both historically and following the 2004 enlargement, has fuelled growth and has highlighted the attractiveness of the UK’s liberalised economy. It is disappointing to hear some government ministers equivocate on this issue in the face of hysterical scare stories about the potential influx of Romanian and Bulgarian migrants. The simple fact is that workers from other European countries come to the UK because there are jobs. It is a cause for support, not retrenchment.

Look at the benefits so far. According to the latest statistics from the Home Office, there are 447,000 registered workers in the UK from the 2004 accession countries. Of those who have applied for NI numbers since 2004, 98% were for employment purposes.
Other European countries are now following the example of the UK—which along with Sweden and Ireland—was the first to embrace the spirit of enlargement in 2004 by allowing the free movement of people. Finland, Spain, Portugal, Greece, Italy have now opened their labour markets to young and motivated workers from Poland, Slovakia the Czech Republic and elsewhere.

As advisory council members of the organisation, Business for New Europe, we believe that in reaching its decision, the UK government should be guided both by economic reason and by recent historical experience.

22 October 2007

Memorandum by the Chartered Institute of Personnel and Development

The Chartered Institute of Personnel and Development (CIPD) has 130,000 individual members and is the UK’s leading professional institute for those involved in the management and development of people at work, including recruitment and selection, pay determination and skills training. We have members in every sector of the economy, working for organisations in total employing half of all UK employees.

The CIPD welcomes the opportunity to submit this memorandum to the Committee. The memorandum outlines the CIPD’s assessment of the economic impact of immigration to the UK and the implications for public policy. The assessment is based in part on views and evidence drawn from surveys and focus groups of CIPD members, primarily our quarterly Labour Market Outlook survey of approximately 1000 employers (conducted jointly with KPMG) and our annual survey of recruitment practice.

Section 1 provides an overview of the CIPD’s position on immigration and related public policy issues. Sections 2–7 outline our analysis of the economic impact of immigration in a manner that addresses most of the questions contained in the Committee’s call for evidence. Given the CIPD’s specific interest as a professional body, the memorandum focuses mainly on labour market and employment related aspects of immigration.

1. The CIPD’s overall view on immigration to the UK and managed migration policy

1.1 Surveys of CIPD members show that one in three UK employers are actively recruiting migrant workers to fill job vacancies at all skill levels and in many sectors, ranging from agriculture and food processing to IT, shops, hotels, bars and restaurants, private care homes, and the public services.

1.2 The vast majority of CIPD members report that migrant workers make an important contribution to the organisations that employ them, their customers and clients and the economy as a whole. Migrant workers help employers meet skill shortages and overcome broader recruitment difficulties.

1.3 However, the CIPD acknowledges that immigration can be a mixed blessing—it conveys potential costs as well as benefits to the economy and the various benefits and costs are not evenly distributed.

1.4 Immigration can potentially give rise to beneficial macroeconomic outcomes and by increasing the ratio of people of working age to people of state pension age (the so-called “support ratio”) alleviate the financial burden of population ageing.

1.5 On the cost side of the equation large scale immigration can put pressure on economic and social infrastructure, notably housing, transport, benefit payments, schools and hospitals and the natural environment. There is also a risk that immigrant labour can serve as a palliative to deep-rooted structural problems in the economy. This might deter some employers from investing in skills and improving recruitment and wider management practices in order to make better use of non-migrant labour, whether employed and in need of training, unemployed and actively seeking work, or economically inactive but potentially able to work.

1.6 As for the distribution of costs and benefits, employers, consumers and migrants accrue most of the benefits while some local communities and people at a disadvantage in the labour market incur most of the potential cost. The overall scale and distribution of benefits and costs will be determined by a combination of the level and composition of the immigrant population (notably the degree to which the skills and employability of migrant workers either complement or instead substitute for those of non-migrants).

1.7 The CIPD’s view, based on what our members tell us plus an assessment of available evidence, is that the recent high level of immigration to the UK—boosted mainly by immigrants from the central and eastern European accession (or A8) states that joined the enlarged EU in 2004—has had a clearly identifiable positive macroeconomic impact but an uncertain and possibly negative impact on some local communities and disadvantaged non-migrants. In other words there are both winners and losers from large scale immigration. The losers are most often young and less skilled non-migrants, often from the UK’s own less advantaged ethnic minorities, ironically the descendents of earlier waves of immigration.
1.8 Migration is a net benefit to the public purse. But any beneficial impact on the support ratio is marginal in comparison with other measures to tackle the financial consequences of population ageing such as increased saving for retirement and/or delayed retirement. The CIPD is not aware of any evidence that either supports or refutes the suggestion that the availability of migrant workers deters employers from investing in training or improving management or working practices.

1.9 On the basis of this assessment the CIPD concludes that the composition of immigration should be managed in a way that maximises the positive economic contribution of migrants and minimises the negative impact on non-migrants, especially those at a disadvantage in the labour market.

1.10 The policy implication of the CIPD’s conclusion, in the current UK context of (mostly) free movement of labour within the EU, is that government should allow entry of economic migrants from outside the EU who wish to work in the UK and who have specific skills or general abilities not readily available in the UK or broader EU labour. However, entry of less skilled or non-working non-EU migrants should be more tightly controlled. The CIPD’s conclusion is consistent with the Government’s impending point based system (PBS) for managing migration which will start to be introduced in 2008.

1.11 The CIPD recognises that this will inevitably frustrate some employers who wish to recruit workers from outside the EU who are unskilled or who have occupational skills but are unable to “score” the points required for legal entry to employment in the UK. However, the acid test of any policy for managing migration is that it meets reasonable and legitimate employer need without detriment to the common good.

1.12 In this respect the CIPD’s principal concern is that migration should be managed in a way that achieves the most favourable composition of migration for the UK economy and labour market in terms of the relative share of skilled and less skilled migrants. The CIPD takes no institutional view on the appropriate level of migration.

1.13 A judgement of whether the overall level of immigration is “too high”—and should thus be limited in scale as well as composition—will depend largely on consideration of the impacts on economic and social infrastructure and the environment. The CIPD has not undertaken analysis that would enable an informed opinion on this matter. Neither has the CIPD undertaken analysis either of the so-called “brain drain” effect of skilled migration to the UK on the home countries of migrants nor of the benefit to these countries of financial remittances that they receive from migrants employed in the UK.

1.14 It is likely that the PBS will in practice have some effect in limiting the overall scale of immigration but it need not do so in principle. It is nonetheless possible that substantial immigration flows composed largely of skilled migrants might still place undue strain on economic and social infrastructure, not to mention the fact that demand for less skilled services generated by skilled migrants could at some point result in shortages of less skilled workers that could not be met from within the UK or wider EU. The introduction of the PBS therefore leaves open the possibility that it might at some point in the future be combined with an explicit numerical cap or quota on migrant numbers.

1.15 The CIPD believes that to be effective the PBS must obviously be well administered and secure necessary compliance without excessive bureaucracy. The PBS also needs to operate flexibly especially if at any point it were to be attached to some form of annual immigration quota. In a dynamic labour market it is difficult to plan for even short-term labour needs with precision. Fixed quotas thus run the risk of being set so high as to be meaningless or so low as to be prone to unforeseen shifts in demand. An annual quota system would thus require some mechanism to allow for reasonable adjustment to unexpected circumstances.

1.16 A PBS (with or without a quota) inevitably requires enforcement machinery to counter the possibility that some employers will try to recruit migrant workers illegally. Such machinery may increase recruitment costs to employers. The CIPD stresses the need to keep these costs as low as possible but accepts that some extra cost is necessary in order to balances the interests of employers with the wider public interest.

1.17 Alongside the PBS the CIPD believes that more must be done to ensure that young people entering the labour market, less skilled adult non-migrant workers and jobless non-migrants are better placed to compete for available job vacancies. The CIPD is encouraged by recent developments in welfare-to-work and skills policies but is critical of the Government’s decision to link these developments to its managed migration policy under the banner “British jobs for British workers”—this slogan runs the risk of being heard as a political “dog whistle” which appeals to elements in society whose views and activities undermine the common good.
2. Analysing the economic and labour market impact of immigration

2.1 The aggregate economic impacts of immigration are higher employment if, in the absence of immigrant workers, some job vacancies would otherwise remain unfilled, less inflationary pressure if employers are able to fill vacancies without bidding up wage levels, and higher labour productivity if migrants are particularly skilled, relatively hard working or entrepreneurial and/or if the availability of workers with these attributes provide an incentive to employers to invest in improved techniques and management practices in order to make use of them. It is also often possible that the effort and performance of migrant workers is a stimulus to improved productivity and performance of non-migrant workers.

2.2 Each of these effects, or some combination of these effects, will raise the potential level of output of the economy and, if sustained, the trend rate of growth of output. The labour market corollary is a reduction in the rate of unemployment consistent with whatever inflation target is set by government (in other words a lower sustainable rate of unemployment).

2.3 In addition to these macroeconomic outcomes there are potential distributional impacts. The prime beneficiaries, other than migrants themselves, are employers of migrants—who are able to maintain or expand output at constant or lower cost—and consumers of the goods and services produced by migrant workers if these would otherwise only be available at higher prices. Potential losers are non-migrant workers, or non-migrant jobless people for whom migrants are substitutes, who may experience downward pressure on pay rates or reduced work incentives. Unskilled or less skilled non-migrants are those most likely to experience this potential disadvantage.

2.4 The positive macroeconomic impact will be maximised and the negative distributional consequences minimised if immigrants participate in the labour market, are highly skilled or relatively productive, are able to meet genuine labour shortages rather than substitute for non-migrant workers or obtain employment that would (or could potentially) otherwise have gone to non-employed non-migrants. It is therefore important to know the composition as well as the size of the flow of immigrants.

3. Migrants in the UK labour market

3.1 Well known data deficiencies complicate understanding of the precise size of the expanding migrant workforce. The CIPD hopes that developments underway at the Office for National Statistics (ONS) will in due course overcome these deficiencies. ONS figures nonetheless provide useful information on the composition and labour market status of foreign born people living in the UK (this group in total currently comprising around 10% of the resident population).

3.2 The annual gross inflow of known immigrants to the UK has in recent years reached record levels and exceeded 0.5 million. There is generally thought to be an additional, but by definition uncertain, inflow of illegal immigrants. Accounting for known emigration (also at record levels) the annual net inflow of migrants is at present around 0.2 million. Roughly half of known immigrants enter for work related reasons, some ostensibly temporarily others with the intention of obtaining permanent residence.

3.3 Immigrants are predominantly of working age and mostly aged under 50 years. According to the Labour Force Survey (LFS), foreign born people living in the UK are on average less likely than UK born people to participate in the labour market and have lower working age employment rates (68% compared to 75%). However, there are considerable differences between different groups of immigrants and the average difference is largely accounted for by differences in the labour market activity of women, especially Pakistani/Bangladeshi women.

3.4 The employment rate of recent migrants from the EU accession countries of central and eastern Europe (from now on referred to as the A8) is much higher (82%) than that of UK born people. The arrival of A8 migrants has therefore helped to narrow the average gap in UK born and foreign born employment rates.

3.5 The LFS also shows that foreign born people in the UK are on average somewhat more likely to be relatively highly skilled (to degree level) than UK born people (27% compared to 22%) and somewhat more likely to have no formal skills (11% compared to 9%). Again, however, the skill make-up of A8 migrants is considerably different—only one in 10 is educated to degree level while one in six has no formal skills. This is reflected in relative pay levels with foreign born people earning on average more than UK born people but A8 migrants, being mainly employed in less skilled jobs, earning considerably less than the UK born average. A8 migrants are mostly concentrated at the lower end of the earnings distribution and fare less well in terms of pay even than other groups of less skilled foreign born workers, notably those from Pakistan and Bangladesh.
4. Why employers recruit migrant workers

4.1 Surveys of CIPD members commonly find that skilled migrants are hired primarily for their employable skills (this reason being typically cited by two-thirds of employers as the most significant factor in recruiting migrants) their formal qualifications (cited by 46% of employers) and relevant work experience (55%). For less skilled or unskilled migrants work commitment/willingness to work is the most important factor (cited by two-thirds of employers).

4.2 It is reasonable to assert that some employers might be deterred from investing in training either because of the availability of skilled migrant labour or because the availability of unskilled migrant labour is a disincentive to introduce higher value production or management practices that require skilled workers. Unfortunately, the CIPD has no evidence to either support or refute this assertion.

4.3 Around half of employers surveyed by the CIPD in 2005 stated that they required migrant workers to be proficient in English (whether recruited to skilled or less skilled jobs). Only 2% of employers stated that they recruit skilled migrants in order to reduce wage costs. However, this purpose, while still relatively low, is almost five times more important for employers hiring less skilled workers (9%).

4.4 Surveys by the CIPD also confirm the view held by many employers that, at whatever job or skill level employed, migrant workers score higher than UK born workers on such performance criteria as productivity (43% of employers score migrants higher), reliability (38%), absence (37%) and quality of work (25%). It should be noted, however, that such views are inevitably subjective and unlikely to be based on rigorous comparisons.

5. The impact of immigration on output and economic growth

5.1 The net economic impact of the various combinations of skills, employment rates and productivity of immigrants is a matter of empirical investigation. The CIPD does not conduct its own econometric studies but instead relies on those undertaken by or on behalf of government departments, other public agencies or independent analysts.

5.2 On the basis of a review of available estimates of the impact of the recent A8 immigration to the UK—all of which appear in the evidence collated for the Select Committee’s inquiry—the CIPD concludes that immigration has a positive impact on output and increases the trend rate of growth of output. The NIESR, for example, estimates that immigration during the period 1998–2005 contributed to a rise in real GDP of around 3%, and that the contribution of the A8 migration has been relatively large (though the CIPD concludes that it is not entirely clear that the impact of the A8 migration holds for either past or possible future waves of immigration given the varied characteristics of different groups of migrants).

5.3 Despite this immigration overall seems to have an uncertain and probably no more than neutral impact on output per head (ie adjusting for the corresponding impact of immigration on total population) which is the best measure of the impact on economic well being. However, the relatively high employment rate of A8 migrants suggests that the A8 migration has probably had a positive impact on output per head. But given the employment composition of the A8 migrants and the absence of any clear sign that their arrival has had a positive effect on labour productivity the impact on output per head is likely to be small. An assessment of the contribution of non-A8 migrants to output per head is complicated by the fact that while on average they are relatively productive they are also relatively less likely to be in paid employment. A neutral impact would seem to be the most reasonable assumption.

5.4 The macroeconomic impact of immigration can also be gauged by the net contribution of migrants to the public finances. This involves a comparison of the contribution of migrants to tax revenues and what is spent on providing them with social welfare benefits and public services. Such comparison is sensitive to assumptions about the composition of migrant populations, in particular numbers of non-working dependents.

5.5 The CIPD has not attempted its own calculation and accepts the often quoted Home Office estimate that first generation migrants make a net fiscal contribution of £2.5 billion per annum. This figure is based on research conducted in 1999–2000 ie prior to the A8 migration. Given that A8 migrants are more likely to be in work than other migrants and have fewer dependents it is possible that their net fiscal contribution is higher although this effect will be deflated by the higher incidence of A8 migrants in lower paid employment.

5.6 It is also worth noting that because migrant populations are not generally spread evenly across the UK some localities may bear more of the fiscal burden than others. This is evident from reports that some local authorities are struggling to meet the cost of providing public services to migrants and suggests a need to improve the allocation of public resources to adjust for the uneven burden of the social infrastructure costs.
5.7 As a consequence of the relative youth (and relative fertility) of migrant populations, immigration helps to offset population ageing. Recent immigration to the UK has added to the population of working age and is already serving to reverse a previous trend decline in fertility rates. ONS projections indicate that immigration will help maintain the support ratio above three until the late 2020s. However, on the central ONS projections even relatively large scale immigration cannot prevent some decline in the support ratio. Immigration is not therefore anything like a panacea to the financing of increased longevity, the prime solutions to which are increased lifetime savings and an extension of working lives.

6. The impact of immigration on unemployment

6.1 Net immigration since the late 1990s has greatly increased the supply of labour, with the greatest impact being felt as a result of the A8 migration. This represents a beneficial supply side shock to the economy. The CIPD concurs with the conclusion of some economists that the shock effect of the A8 migration has lowered the UK’s underlying sustainable rate of unemployment. However, this conclusion can be only tentative since the A8 migration has occurred alongside an overall increase in actual unemployment as measured by the LFS.

6.2 Unemployment has risen because the demand for labour has not yet increased sufficiently to absorb the increase in labour supply resulting from the A8 migration. As a result the UK labour market has in the past two years experienced a period of excess supply sufficient to contain the rate of growth of average earnings comfortably below that consistent with the Government’s inflation target. This is good news for future growth and employment prospects since it indicates that there is scope for further non-inflationary economic expansion—in other words the full benefit of the A8 shock is still to be felt, assuming of course that the supply of A8 workers is maintained.

6.3 The particular macroeconomic significance of the A8 migration is that it helped contain inflationary pressure in 2006 and early 2007 by preventing workers from obtaining wage rises to match (largely energy related) increases in the cost of living. However, while this helped the economy avoid what might otherwise have been a marked increase in inflationary wage pressure the outcome will not have been directly appreciated as a blessing by the bulk of wage and salary earners who will have felt a squeeze on their real incomes. Profit earners rather than wage earners have therefore benefited most from the A8 migration even though the real wage squeeze will have been beneficial for growth and employment. However, the CIPD contends that in addition to keeping pay growth in check slacker labour market conditions also made life tougher for the least employable non-migrant job seekers.

6.4 The CIPD’s contention that since the start of the A8 migration context migrant jobseekers have generally fared better than UK born jobseekers. A big factor in hiring decisions is the basic employability (or job readiness) of jobseekers. CIPD surveys of employers’ perceptions of the employability of school leavers and the “core jobless” on benefits find that in the same way that many employers subjectively score migrant workers higher than non-migrant workers so too with non-migrant jobseekers, especially those with few soft skills or who suffer some other disadvantages such as a poor health record.

6.5 The problem of inadequate soft skills seems to be a particularly evident when employers are considering migrant workers alongside less skilled (or less experienced) young non-migrant jobseekers ie the group that has seen the largest increase in unemployment during the period since the A8 migration. Indeed the comments of employers on the relative merits of migrant workers are often based on a comparison with UK born younger workers, the majority of A8 migrants themselves either being of a similar age or, if older, able to bring a slightly more mature attitude to jobs that might otherwise have employed UK born youngsters.

6.6 In view of the widespread casual empiricism relating to this matter the CIPD is surprised that available econometric studies seem to find no negative associations between the A8 migration and the job prospects of less employable UK born people. The CIPD is nonetheless prepared to defer to detailed econometrics though we reject the criticism that our casual empiricism falls prey to the well known “lump of labour” fallacy.

6.7 The CIPD fully accepts that there is not a fixed number of jobs in the economy and thus that a flexible labour market will adjust to make use of additional labour. Other things being equal, demand for labour will expand and as noted earlier we expect that the market will eventually settle at a lower sustainable rate of unemployment than would have been possible without the A8 migration. Adjustment takes time, however, and it is perfectly reasonable to expect that in periods of excess supply, such as that now being experienced, employers find it easier to be choosier in their recruitment practices, pushing the least advantaged non-migrants to the back of the queue.

6.8 It is probable that this tendency has been intensified by the activities of specialist recruitment agencies that make it easier for employers to make use of pools of migrant workers on an “on demand” basis without having to resort to traditional recruitment channels for less skilled workers, such as public Jobcentres.
6.9 It is important to stress that the aggregate rise in unemployment in recent years and the associated problems faced by disadvantaged non-migrant jobseekers is primarily due to a relative deficiency of demand for labour rather than an inevitable consequence of the arrival of the A8 migrants. The full strength of the A8 migration simply happened to coincide with the last UK economic slowdown in 2005 and the effects of the aftermath of that downturn.

6.10 The CIPD’s surveys show that at the time there was a major cutback in recruitment activity but no substantial increase in redundancies, resulting in a marked degree of labour hoarding. Economic recovery in 2006 in 2007 saw only a modest increase in recruitment activity as employers made use of hoarded labour and sought wider improvements in productivity to offset increased non-labour cost inflation. Labour demand has therefore failed to expand sufficiently to absorb available supplies of labour, which explains the current state of the labour market. At present a combination of previously tight monetary policy and tight commercial credit conditions indicates that demand for labour may well soften in 2008. This could exacerbate the outcomes discussed in this section although it remains uncertain what effect an economic slowdown might have on the inflow of migration workers.

7. Distributional impacts of immigration

7.1 Assuming that the economy will at some point adjust to an increased supply of immigrant labour, the critical distributional issue is the impact of immigration on the structure of earnings at the full employment level of output. This in turn may have additional implications for less skilled jobless non-migrants.

7.2 The long-run impact of immigration on the wage structure depends on the degree to which migrant workers complement or substitute for non-migrants. Outcomes will therefore depend on the characteristics of migrant flows, with different combinations of skill capabilities potentially giving rise to different wage effects at any point in the pay distribution. But as mentioned earlier the A8 migrants appear to substitute for less skilled labour. This is evident from both the skill characteristics and pay rates of A8 migrants.

7.3 In addition it is worth noting that the greatly increased supply of A8 migrants has had no marked effect on the difficulty of recruiting skilled and experienced workers. CIPD surveys find that the proportion of employers reporting recruitment difficulties increased in both 2005 and 2006 and has since remained at a constant high rate. Although it is probable that recruitment difficulties would have worsened further in the absence of A8 migrants—not to mention the fact that migrants are themselves consumers of services and add to labour demand as well as supply—it seems evident that A8 migrants have been mostly meeting demand at the bottom end of the skill range. This observation still holds although there is some indication that A8 migrants are now “trading up” along the skill and experience ladder having gained an initial foothold in the labour market and improved their proficiency in English.

7.4 Correspondingly, the CIPD finds that there has been upward pressure on the pay of workers with skills or experience in short supply, despite which, as noted above, growth in average earnings has been muted. This suggests that the effect of the A8 migration has been to limit the impact on total pay bills exerted by pay pressure at the top of the pay distribution by containing pay growth at the bottom end. The fact that this occurred during a period when the National Minimum Wage (NMW) was rising relative to average earnings, and thus supporting pay at the bottom of the distribution, gives some indication of the power of the A8 wage effect.

7.5 It is again important to stress that this outcome does not necessarily imply, as sometimes suggested, that employers are actively dismissing non-migrant workers in order to hire migrants at lower wages. Although there is anecdotal evidence that this does indeed happen sometimes the CIPD has no evidence to indicate that such practice is widespread. What is happening is that the increased supply of A8 workers has shifted wages levels for less skilled employment toward the NMW. While very low relative to average pay levels the NMW may be attractive to migrant workers, especially those from the A8 countries who have limited access to welfare benefits.

7.6 Since migrants are prepared to work at low rates there is downward pressure on the pay of less skilled non-migrant workers who effectively face a choice between low wage employment or non-employment. To date increases in the NMW have alleviated this trade-off between low pay or no pay, though it is likely that further increases in the NMW relative to average earnings will at some point begin to pose a threat to the creation of less skilled employment. Indeed as anecdotal evidence also suggests, some unscrupulous employers are already flouting the regulations by employing workers at below the NMW. This usually occurs if migrants are unaware of their rights, perhaps because of language difficulties, or if vulnerable to exploitation because they have gained illegal entry to the UK. The CIPD is keen that such practice is stamped out though we have no evidence of how widespread the problem might be.
7.7 The depressing effect of migration at the bottom end of the labour market can serve to reduce work incentives and, in interaction with the benefit system, raise rates of unemployment and inactivity on the part of less skilled people. If so this will to some extent offset the beneficial impact of immigration in reducing the sustainable rate of unemployment as discussed above. The losers in this situation are individuals capable only of gaining low wage employment. These often include people from the UK’s more disadvantaged ethnic minority groups, themselves the descendents of earlier waves of immigration.

7.8 The appropriate policy response to assisting those who lose out from immigration is to combine restrictions on unskilled immigration with a combination of welfare reform measures, work incentive measures and employment and training measures. In reducing the negative distributional impact of immigration the net cost to the taxpayer of financing such measures will, other things being equal, also reduce the net fiscal benefit of immigration.

7.9 The prime objective of such measures should where possible be to improve the ability of less skilled or jobless people to enter skilled employment. Where this is not possible the objective will be to improve the basic job readiness of less skilled or jobless people in order to make them better competitors for available vacancies. If successful, such measures will reduce the need of employers to recruit migrant workers. The Government describes its developing policy to achieve this outcome in terms of “British jobs for British workers”. The CIPD agrees with the policy objective and the general thrust of the Government’s policy strategy but is uncomfortable with a slogan which might appeal to protectionist and xenophobic sentiment.

29 November 2007

Memorandum by Professor Barry R Chiswick, University of Illinois

1. This is in response to the request from the House of Lords Committee to Assess the Economic Impact of Immigration. This statement is based on my over 30 years of research on the economic determinants and economic consequences of international migration. This research has been conducted for destination countries on four continents (North America, Europe, Australia and Asia), using the variety of methodologies and data sources that are available. This includes research on immigrants in the United Kingdom, as well as lectures delivered and conferences attended in the United Kingdom.

2. My comments will focus on conceptual issues since at this stage in the process of analysis it is most important that the conceptual issues are clarified first. When I am asked the question “What is THE economic impact of immigration?” where the tone indicates the emphasis on the word “the”, I respond that this is not the best way to couch the question. The impact varies depending on the characteristics of the immigrants and of the host or destination economy.

Impacts on Relative Wages

3. Conceptually, it is best to think in terms of two types of immigrants, which for simplicity we will call “high-skilled” and “low-skilled”, with the same two skill groups represented in the native-born population. High-skilled immigrants will have some characteristics in common, without regard for their country of origin. They tend to have high levels of schooling, which means they tend to have a high degree of literacy, perhaps also numeracy, and critical thinking or decision-making skills. Many, but not all, will have a high degree of scientific or technical knowledge, and in the modern era a high comfort level with computer technology. Many, but certainly not all, will either have a degree of proficiency in the destination language (in this case, English) or the ability to acquire proficiency in that language shortly after arrival. These are all characteristics that have been shown to improve the earnings of immigrants and to facilitate their economic adjustment in the host country.

4. Although particular individuals may differ, low-skilled immigrants generally have little formal schooling, limited literacy proficiency in their mother tongue (and the destination language), and limited scientific and technical knowledge. These are characteristics associated with low earnings in the destination.

5. High-skilled and low-skilled immigrants will, in general, have different impacts on the host economy and labour market. Labour markets behave in a manner similar to other markets, in that a greater supply of a given type of labour tends to depress the market wage of workers with similar characteristics, that is, who are good substitutes in production. An increase in the supply of a given type of worker also increases the productivity of the complementary factors of production with which it works, including other types of labour and capital.

6. To give a simple example, an increase in the supply of low-skilled restaurant kitchen help will result in more competition for this type of job and lower wages for ordinary kitchen workers. Yet this will increase the productivity (and hence wages) of the master chefs because with more help for the menial kitchen chores they can spend more of their time on the highly specialised tasks for which they have trained. By the same token,
an increase in the supply of high-skilled chefs would raise the productivity of low-skilled restaurant kitchen workers since they would have more master chefs with whom to work.

7. The result of high-skilled immigration tends to be an increase in the wages of all low-skilled workers (and reduce their use of public income transfers) and a decrease in the wages of high-skilled natives. This reduces income inequality, which we generally view as a good development. Like high-skilled natives, the taxes paid by high-skilled immigrants tend to be greater than the costs they impose on the public treasury through the income transfers they receive, the schooling received by their children, and the publicly subsidized medical care that they receive. High-skilled immigrants are also more likely to bring with them the scientific, technical and innovative skills that expand the production capabilities of the economy. As a result, the population as a whole tends to benefit from high-skilled immigration, although with some benefiting more than others.

8. Now consider the impacts of low-skilled immigration. While these immigrants tend to raise the earnings of high-skilled workers, their presence in the labour market increases competition for low-skilled jobs, reducing the earnings of low-skilled native-born workers. This not only increases income inequality, which is rightly considered to be undesirable, it also increases the need among low-skilled natives for public assistance and transfer benefits. Because of their low earnings, low-skilled immigrants also tend to pay less in taxes than they receive in public benefits, such as income transfers (in cash and in kind), public schooling for their children, and publicly provided medical services. Thus, while the presence of low-skilled immigrant workers raises the profits of their employers, and the earnings of high-skilled workers, they tend to have a negative effect on the well-being of the low-skilled native-born population, on income inequality, and on the native economy as a whole.

9. These points are not purely theoretical arguments. In the past two decades for example, the real wages of low-skilled workers in the United States have remained stagnant even as the real earnings of high-skilled workers have risen. As a result, income inequality has increased. Several factors have been responsible for this development, but one of them has been the very large increase in low-skilled immigration, including those legally admitted and those who have violated US immigration law.

**THE “NEED” FOR LOW-SKILLED IMMIGRANTS**

10. “But”, I am often asked, “don’t the advanced high technology economies need low-skilled immigrant workers to do the unskilled jobs that native workers are no longer willing to do?” I respond: “At what wage will native workers decline to take these jobs?” Consider the following thought experiment: What would happen to the harvesting of field crops and the mowing of suburban lawns if there were fewer low-skilled workers? Farm managers would pay higher wages to attract native-born workers and this would speed up the mechanization of the harvesting of field crops. The technology is there, but with low wages for farm labourers there is little economic incentive for the growers to mechanize or invest in other types of new technology. If the supply of low-skilled immigrant workers decreased substantially, mechanical harvesting would replace many low-skilled jobs with capital (machines) and more highly-paid native workers.

11. How would suburban lawns get mowed if there were fewer low-skilled immigrant workers? Wages for lawn care workers would surely rise. The result would be that more teenagers and other low-skilled native workers would find it worth their while to make themselves available for this work. In addition to this substitution of one type of labour (youthful and low-skilled natives) for another (low-skilled immigrants), there would be other adjustments to the higher cost of lawn mowing. One would be letting the grass grow longer between mows—say, every 10 days instead of weekly. Another would be the substitution of grass that grows more slowly, or the substitution of ground cover or paving stones for grass, etc.

12. The point is that there would be many ways for consumers and employers/producers to respond to the higher wages of low-skilled workers to mitigate the adverse effects of having fewer low-skilled immigrants.

**A CENTURY AGO**

13. At this point in the conversation, someone usually points to the period of mass immigration of low-skilled workers to North America and the United Kingdom in the decades prior to World War I. If these arguments are valid now, wouldn’t they have applied at that time as well?—and we know that immigration was a tremendous net benefit to the United States and the United Kingdom at that time.

14. The economy and economic institutions of 100 years ago were quite different from those of today in ways that are both important and relevant to our discussion. Then, rapid industrialization of the economy generated a very large demand for low-skilled workers in mines and in factories producing everything from steel to shirts. This is no longer the case. Technological change, the increased cost of even low-skilled labour (wages plus fringe benefits and employment taxes), the fulling cost of capital equipment, and globalisation/
international trade have sharply reduced the demand for low-skilled workers in the advanced industrial economies in manufacturing, mining, agriculture, and even service occupations and industries.

15. Moreover, 100 years ago income inequality and income distribution issues were not a matter of public policy concern. If there were poor people—so be it. If private individuals and charities helped the poor—fine, but there was nothing like the tax-funded income transfer, educational services and health systems in place today.

Immigration Policy

16. At the aggregate level, many analyses consider immigrants as an undifferentiated whole without distinguishing between high-skilled and low-skilled workers. These provide misleading implications, often to the effect that immigrant impacts on wages and income distribution are small. When the positive economic benefits of high-skilled immigration are lumped together with the more negative consequences of low-skilled immigration, they appear largely to cancel each other out because there are both gains and losses. In the real world, however, the penalty paid by low-skilled natives because of high levels of low-skilled immigration is not so easily cancelled out by the positive impacts of high-skilled immigration.

17. Analyses of immigrant impacts must therefore avoid viewing immigrants as an undifferentiated whole. Rather it is for more useful to consider immigrants that differ by skill level—high-skilled and low-skilled workers. It is this view that has informed immigration policy in several important destinations, in particular Canada, Australia and New Zealand. While these countries do provide for the immigration of the immediate relatives of their citizens, their focus is on the response to the question: “What can you contribute to our economy”. The immigration authorities assess educational credentials, occupation-specific experience and skills, English language proficiency, and age (favoring young adults), among other criteria. One selection mechanism is based on allocating “points” for favourable labour market characteristics. Those who receive more than a threshold number of points would receive an immigrant visa for themselves, their spouse and their minor children.

18. Studies have shown that a skills-based point system will attract a higher ability and more productive immigrant population than allocating visas on the bases of kinship ties, random mechanisms, or other techniques that do not take skills into account. The Government is to be congratulated for introducing a skill-based points system for immigrants from outside the EU.

9 September 2007

Letter from the City of London Corporation

The City of London Corporation welcomes the opportunity to contribute to the Committee’s inquiry into the economic impacts of immigration. London is experiencing an unprecedented period of sustained high levels of international migration, of very diverse kinds, with potentially major impacts on the growth and competitiveness of London. In the absence of any detailed analysis of the impact of immigration on London’s economy the City Corporation commissioned the London School of Economics to undertake research specifically focused on the impact of immigration on London’s economy. The Committee’s inquiry, which coincides with the publication of this research, therefore comes at an appropriate time. A copy of the report is enclosed to assist in the Committee’s deliberations but, for ease of reference, it may be worthwhile outlining some of the key findings of the research.

London’s leading role as global financial centre is widely recognised and the presence of international talent is one of the key factors underpinning the City’s competitiveness. For many years the City has benefited from the presence of a multinational workforce. Evidence of this can be found in City street names such as Lombard Street which dates back to the reign of King Edward I when land was given to goldsmiths from the Lombardy region in Italy. Similarly, many of the City’s notable institutions such as Schroders and Rothschilds originated from international enterprise in the 18th and 19th centuries.

The City has remained open to talent from abroad through to the present day with up to a quarter of its employees estimated to come from outside the UK. The research recently published by the City Corporation reveals that in the period 1986–2006, London’s “foreign born population” increased from 1.17 million to 2.23 million with much of that increase coming since 1998. Whereas in 1986 half of this population originated from just six countries, it now comprises 15 nationalities. Particular elements, such as asylum seekers and the recent influx of migrants from the EU Accession States, have contributed to this growth but are only minor parts of a strong trend driven by international forces combined with London’s particular attractions.
The research also found that generally, new migrants share characteristics of relative youth, above average qualifications, and positive ratings by employers. Migrants are present in most types of job in London. There are concentrations mainly from richer countries in the financial and business services. Many work in catering and hospitality whilst A819 in-migrants are particularly concentrated in construction. Those who come from richer countries tend to remain for shorter periods (particularly the most qualified), while those from less developed countries are far more likely to make London their long-term home and tend, at least initially, to take up lower status jobs than their qualifications would warrant. Over time this differentiation tends to disappear.

The research discusses two distinct positive effects of migration—its “qualitative” impact on the London labour force and economy, through diversity, flexibility, international experience and skill sets; and its “quantitative” contribution through expanding labour supply and thus enabling employment growth and reducing upward wage pressure. An effect of the concentration of migrants in the worst paid segment of the labour market has been a significant downward pressure on wages at the bottom end of the market. This seems to have encouraged job growth in these occupations, but earnings among workers in this sector have suffered, falling behind growth in the cost of living. At the same time the gap between earnings levels for this group in London and those in the rest of the UK has been substantially eroded. Both employment rates and earnings among new migrants tend to be lower than for otherwise comparable Londoners. This suggests that their potential is not being fully used at present by London employers.

In terms of the impact on the housing market, the research showed that new migrants form fewer households than British nationals, occupying less housing and live disproportionately in the private rented sector. Over time, as incomes rise and people become more settled, their impact on the housing market may become more apparent but, if the migrant population remains transient, then this longer term impact may be more limited. Nevertheless, additional demand from those moving to the UK has put pressure on house prices although in the private rented sector, however, rents have remained fairly stable. There is a perception that those moving to the UK receive beneficial treatment in terms of housing provision when compared with British nationals which can add to existing tensions. In reality, however, whilst there are some migrants who may be prioritised, in particular those with families or those in poor housing conditions, migrants are not usually eligible for social housing immediately on entry.

Similarly, the majority of migrants use relatively fewer public services than indigenous households and, in general terms, are less of a burden on the public purse. There are, however, additional pressures from the more diverse needs of migrants, such as translation services, which have placed additional burdens on some areas in London since the capital receives a much larger share of the current wave of new arrivals than the rest of the country. Since finance to secure additional local government services is often not fully underwritten by central government, this has resulted in some authorities having to make statutory provision without an adequate resource base. London faces particular problems when revisions are made to estimates of migrant arrivals (and thus local populations), as these lead to unpredictable shifts in central grant support to local government, the NHS and other services. Unless this balance is redressed, the strain on local government finances can only increase, with negative consequences for the quality of the services they are expected to provide. Social cohesion within London has generally remained strong during the recent period of rapid immigration. There is some risk that this could change if there were a long-term mismatch between available resources and additional spending needs.

One caveat should, however, perhaps be noted. The researchers found that there are major limitations in the official statistics about migrants, notably on out-migration, whether by the UK-born or by temporary residents. Similarly, the researchers experienced difficulties in tracking migrants’ subsequent moves within the UK. The basic facts are reasonably clear, but the picture is complicated, and current understanding remains only partial.

13 September 2007

Memorandum by Professor Linda Clarke, University of Westminster

INTRODUCTION

Despite high levels of building activity, serious skill shortages, and more stringent anti-discrimination measures, the British construction industry remains an overwhelmingly white, able-bodied male sector, albeit with a large proportion of migrants. According to the Sector Skills Council, ConstructionSkills, nearly 50% of companies are experiencing difficulties in recruitment and this has been shown to be particularly severe for housebuilding (CITB-ConstructionSkills 2004; Clarke and Herrmann 2007). It is estimated that between 2007

The eight eastern and central European countries that acceded to the Union in May 2004.
and 2011, the average annual requirement for skilled manual workers in the Greater London area alone is 5,520, of whom—based on current levels of training provision—only 1,500 will be met by training supply (ConstructionSkills 2007). At the same time, 11.7% of the Black, Asian and Minority Ethnic (BAME) working population in London is unemployed compared with only 5.2% of the white population.

According to the Labour Force Survey, only 2.8% of those employed in the construction industry are from ethnic minority groups, though these constitute 7% of the total economically active population (LFS 2005). This population is far larger in London, where BAME groups make up 30% of the working population, though only 14.4% of those in the construction sector and even less in the building trades (12.4%). Figures are more pronounced for women who make up only 10.2% nationally of those in the construction sector and less than 1% of those in the manual trades (LFS 2005; Briscoe 2006).

Analysis of the reasons for lack of diversity in the construction sector cannot fail to ask the question why employers, especially in the London area, are employing large numbers of migrants rather than the local population—in particularly women and those from BAME groups. This question is particularly pertinent to T5, as it is set in an ethnically-diverse area with pockets of unemployment, in particular youth, and concerted efforts have been made from the start to implement a diversity policy and to integrate local labour. Over the course of the project’s development however, these diversity-related measures have increasingly lost their impetus and had but minimal impact in breaking down the exclusivity of the building trades.

Our case study, T5, is one of Europe’s largest construction projects, estimated at start to require 5,000 workers and in 2011, the average annual requirement for skilled manual workers in the Greater London area alone is 5,520, of whom—based on current levels of training provision—only 1,500 will be met by training supply (ConstructionSkills 2007). At the same time, 11.7% of the Black, Asian and Minority Ethnic (BAME) working population in London is unemployed compared with only 5.2% of the white population.

Our case study, T5, is one of Europe’s largest construction projects, estimated at start to require 5,000 workers at peak (Experian 2006), though actually this was closer to 8,000. The overall number of construction workers who have worked on T5 is many times greater than this, as was indicated in the required medical assessments carried out by the Occupational Health Centre on well over one thousand workers per month in 2005 and about 400 health and safety inductions carried out per week. Only a few female electricians and one or two women in other occupations are employed in the operative workforce on T5. Explanations given for this range from prejudice and negative perception of women doing manual jobs, to lack of exposure of women in other occupations are employed in the operative workforce on T5. Explanations given for this range from prejudice and negative perception of women doing manual jobs, to lack of exposure of women in construction jobs, poor advertising and insufficient encouragement in schools. The limited success of women in finding apprenticeships or work placements has only added to the vicious circle of exclusion and self-exclusion. In terms of ethnicity, though exact figures were not available, BAME groups were present on site and in the canteen, but represented no more—and possibly less—than the proportion found in construction in London.

When the project began in 2002, the client, BAA, made a commitment to a Local Labour (LL) Strategy to ensure that local people had the opportunity to benefit from the employment generated by the new terminal (Experian 2006). The strategy covered: education, training, employment, and support programme for local businesses. With severe recruitment difficulties and skill gaps anticipated at all levels, the benefits claimed for this strategy included: improved travel-to-work patterns; the opportunity to tackle social exclusion in some of the areas of relative deprivation close to the airport; involvement and upskilling of ethnic minorities, women, and other groups traditionally under-represented in the construction industry; and cost savings for contractors from accommodation allowances to workers residing outside the area (BAA website). Despite the efforts made, only 150 have been employed on T5 over the course of three years as a result of the scheme (employment being defined as a minimum of 13 weeks), of whom 3% have been women and 30% from BAME groups. This relatively small number of local target group representatives on site and the few “success stories” indicate that the LL scheme has not had a significant impact, and that there has been a move away from the initial commitment to local employment, in part attributable to insufficient resources and in part to reported difficulties in recruiting skilled workers among the local labour force. Skill shortages and lack of work experience placements have been serious problems and the usual practice has become to choose instead from the pool of existing and known labour that moves from site to site and comes from all over the country and from other parts of Europe.

Suppliers to T5 have therefore come to rely on an itinerant workforce, both from outside London and—increasingly—from different nationalities and geographic regions outside the UK. For the employer, the advantages in employing migrant workers include that such workers are willing to go where work is and to work long hours while away from home. On T5 there are German, Polish, Punjabi, Portuguese, Czech and Croatian gangs, working alongside “travellers” from Wales, Scotland, the North and the Midlands. Many live in the surrounding specially set up caravan parks, in particular those employed on groundworks, shuttering, civil engineering and infrastructure.
TRAINING PROBLEMS

The declining commitment to employing local labour on T5—including women and those from BAME groups—appears, therefore, to relate both to skill problems and to the hours of work in place. Skill problems might have been expected to recede, given that apprenticeships, training and work experience were included in planning agreements, the project has extended over nearly six years and considerable effort has been expended on training. However, in practice, and especially in the cases of apprenticeships and work placements, many fewer than initially intended have been able to benefit from these. With the help of the client, a skills centre was set up on T5 for apprentices in traditional crafts (e.g., painting and decorating, drylining, bricklaying and carpentry). This trains about 50 apprentices per year from the local area, though originally it was intended to have a capacity of 80, and is run by a major contractor which does not employ on the project (Heathrow Employment Forum 2004). It is funded by ConstructionSkills on the basis of National Vocational Level Qualifications (NVQ) Level 2 completions.

Several colleges and training centres in the vicinity have also received financial support from the client, the British Airport Authority (BAA), and a training committee has been set up set up with the Learning and Skills Council, BAA and local colleges. For instance, 18 week training courses are offered and people from different backgrounds from the surrounding areas can—enter into employment or acquire a NVQ. In addition, language and numeracy courses are provided on site if workers are there for long enough or, alternatively, training is provided on a case-by-case basis. However, more specialist occupations tend to be filled by experienced/trained workers from elsewhere. In addition to these training arrangements, Construction Learning World was set up on T5 to accredit standards, coordinate on-site assessment training (OSAT) and ensure any follow-up to NVQ2 with a training provider, with a minimum of three months and maximum of three years given to complete the NVQ.

Though apprenticeships are offered by employers on T5, these tend to be few and far between. Explanations given for this vary, from young people not being interested in training to difficulties in finding work placements, as work is often carried out by small companies who do not have the necessary mentors. Health and safety and security considerations are also important, it being highly unlikely for anyone under 18 to be deployed on T5. Symptomatic of the low number of apprenticeships available on T5 are those of a major contractor, employing at peak over 2,500, which currently has two apprentices and reported a ratio of at best one apprentice for every 250 workers and at worst one in 1,000! The indication is that there is an acute shortage of places offered to those in training and seeking work experience or apprenticeships. This makes entry for target groups and women even more difficult, as apparent from Modern Apprenticeship figures, with only 1% of those in 2000 from BAME groups (EOC 2004 and 2005). Levels of training by firms in the construction industry generally are anyway notoriously low, especially in London. For instance, less than a third of London construction firms surveyed in 2005 were found to have training plans and only 30% of construction workers were qualified to NVQ2 or above (London Assembly 2005). It is increasingly difficult to find apprentice places and there is a vast shortfall in supply.

In stark contrast to the relatively few construction trainees to be found with firms and in particular on T5 is the situation in surrounding Further Education (FE) colleges. Here large numbers of construction trainees are to be found—mostly locals, often women and from BAME groups—and even more seek college places. Indeed one college visited which had received support from BAA, estimated demand exceeded the current 300 trainee capacity four-fold. 6% of the 285 construction trainees were women, and 17% from BAME backgrounds. The college provides: five hours per week training for 14–16 years olds from local schools; training to NVQ1 for 16–19 year olds; and a one year course for a level 2 Intermediate Construction Award (not NVQ), which runs for 14–15 hours per week. No funding is available for level 3 NVQ and there is little financial support for adults seeking to move to construction. Trainers in this college considered that very few of the trainees had any chance of working in the industry—let alone on nearby T5!—because they were not able to obtain the necessary work experience and thus to obtain NVQ 2 or 3.

To overcome some of these difficulties, ConstructionSkills has now established programme-led apprenticeships whereby the employer receives £2,000 to provide work experience for potential apprentices seeking to achieve NVQ2. However, only 150 of these are currently planned for the whole London area. Many local people go to colleges to do construction courses in order to avoid unemployment, to learn a trade and to develop a career in construction. However, the link to work experience and employment is unclear and placements are rare, those existing being often limited in scope. There are far more women and those from BAME in FE colleges than on actual sites. For instance in London a disproportionately high percentage of those from BAME groups (35%) are in training (CITB-ConstructionSkills 2005). 9% of first year construction trainees in London are also women, far higher proportions than found in construction employment (CITB-ConstructionSkills 2005; Byrne 2005). The suggestion is that there is no shortage of target group representatives seeking to train and work in the industry.
Recruitment and Skills Problems

Adding to the problems of a lack of link between the college and workplace and an acute shortage of training and work experience places with firms, is the appropriateness of the training provision in place. The FE colleges and the T5 training centre tend to train in traditional areas—bricklaying, carpentry, plastering, tiling, and plumbing. However, on large sites such as T5 there are often different skill requirements, for instance in the area of groundworks and in fitting out work. Firms interviewed on T5 stressed the need for wider occupational profiles for each area of activity, in particular in relation to general operative work and carpentry. This “multi-skilling” was also seen as facilitating greater mobility of labour and the relocation of workers which should go together with a large directly employed workforce. As it is, one major contractor estimated its labour turnover to be unnecessarily high, at 35% in some cases and even 50% where there is high demand, in part because occupations are too narrowly conceived and NVQs give only restricted ability to extend experience. Groundworkers, for instance, should be able to carry out steel-fixing, plant operation (cranes, forklifts etc.), scaffolding, paving, drainage, banking, concreting and concrete finishing. However, unlike their counterparts in Germany or the Netherlands, British workers tend to be “single-skilled”, rather than trained and upskilled for a greater range of activities.

Recruitment methods on T5 are claimed to be the same for all groups of workers regardless of origin or gender, with selection criteria related to skills and security, including a safer attitude to work. One firm interviewed made special efforts to recruit local labour, including the use of the local employment agency for T5, roadshows around local colleges, interviews, and workplace assessments. In practice, however, each company has its own way of recruiting, mainly word-of-mouth for manual jobs, though the press and gangmasters are also used. Some companies have their own agencies or agencies they work with, perhaps specialised in bringing in Germans carpenters, Polish groundworkers or Portuguese concretors. Such recruitment methods, especially informal methods and the use of agencies, tend in themselves to entrench the predominance of white males (Beck et al 2003; Steele and Sodhi 2006). Combined with the particular skills required and the preference for work experience over formal qualifications, these provide further obstacles to entry for women and BAME. Indeed, research has shown that recruitment methods need to be especially proactive to be successful in implementing equal opportunities policies in construction (Michielsens et al 1997).

The large amount of existing and forthcoming work in London, combined with severe skill shortages and lack of appropriate training and work experience placements, have therefore created a situation where the recruitment of migrant workers—available quickly and possessing the necessary skills and experience—appears to many stakeholders as justifiable. It was claimed too that if training is provided by a company, there is the danger of “poaching” by competitors, and therefore skilled migrants are preferred to taking on apprentices. Also, some trades “run” in the family, generation after generation, including among the itinerant workforce.

On T5 systems are in place to facilitate recruitment and to meet the important requirement that all those employed are in possession of a Construction Skills Certificate. A CSCS (Construction Skills Certification Scheme) test centre was set up on the T5 site in 2004 by BAA, in order to provide more flexibility than relying on an external system. It ensures that certain criteria are met, including health and safety requirements. To meet these, all operatives recruited to work on site have to pass a test, which is completed on a computer and on an external system. It ensures that certain criteria are met, including health and safety requirements. To meet these, all operatives recruited to work on site have to pass a test, which is completed on a computer and has to be repeated every five years. At the T5 test centre, though there are translations and interpreters are brought in to cover all languages, some problems of understanding and of language are reported, as well as difficulties for older workers to use a computer, contributing to a high—though improving—failure rate. Normally three attempts to pass the test are possible and each operative has to have a card within 28 days, with all cards being requested and checked at the general one day induction, which itself helps to recognize gaps for which training may be given. If workers are engaged for less than the 28 day period, there is a special dispensation, but there are checks on people who come regularly, even for short periods. The client partly bears the cost of the centre and provides translators, though there is no infrastructure for people with special needs or disabilities. CSCS is under ConstructionSkills, which assesses and accredits training providers, though no direct training is given except specialist. Currently about 95% of trades on T5 have CSCS cards.

CSCS plays a critical role in registering skilled workers in the industry and providing a degree of regulation not hitherto present. It is, however, very much geared to those with skills, though the eventual system is intended to recognize what skills are needed as a means to develop these. For a trainee to meet the requirements for obtaining a card, 500 hours experience is necessary which, given the difficulties in obtaining, in particular for those from local BAME groups and women, presents a further obstacle to inclusion.
EMPLOYMENT CONDITIONS

T5 is exemplary in terms of employment conditions, in particular in terms of the procurement guidelines for the project which state that “wherever possible” there should be direct employment (BAA 2004). In an industry where about 40% of the workforce, or 700,000 workers out of 1.8 million, are classified as “self-employed” (even though they may in all other respects be “employed” by a definite employer), this marks a clear departure from established practice (DTI 2006). Most, but not all, workers are directly employed on T5 and there is monitoring to ensure that those with “self-employed” CIS4 (special construction industry tax scheme) cards are not used and that any breach is reported. This does not mean that work is not subcontracted out nor that temporary labour with agency cards is not used, but firms report that 60–70% of their labour requirement is met by employing directly.

Whilst the more stable employment on T5 is important to encourage inclusion of the local diverse workforce and to training, other employment conditions, in particular the long hours and travel to work, clearly act as further obstacles. These conditions are sometimes regarded as the very nature of the construction work, going together with a long tradition of an itinerant and highly mobile workforce. Site hours, which many work, are 7am to 7pm on weekdays and 7am to 4pm on Saturdays, whilst the general shift pattern established is 10 hours per day (8 on Friday). In addition, despite working time being officially 48 hours per week, overtime is normal and 50 + hours are very frequent. The Working Time Directive opt out, allowing operatives to work more hours than the stipulated 48, is generally applied, though hours worked and rates are different for different trades. Added to this, T5 is difficult to get to—travelling can be two hours or more per day—and workers can also wait up to half an hour to get on to the site. To compensate for this travel time to site in terms of pay, “locals” receive a travelling allowance, though only for five days instead of the seven days for a “traveller”. Even for white collar workers employed for a 40 hour week this travelling time can be a problem and pose difficulties to recruiting personnel. It is therefore difficult to imagine many local people with family responsibilities being able or prepared to work and travel so many hours and in this sense the site appears to be structured for travellers and migrants. For women, in particular, such conditions already compound what has been described as greater work-life interference in construction (Dainty and Baglihole 2006; Lingard and Francis 2006).

Compounding differences between “local” and “travellers” pay is the fact that operatives, even those doing similar work and of the same age, skills and work experience, are taken on at different rates, for example in scaffolding, though there have been attempts to make agreements on pay harmonisation. A major problem in this respect is the lower wages received by East Europeans, some multi-skilled German workers, and workers of other origin. Another problem has been that staff supervisors may earn less than those they supervise. The client does, however, make frequent checks on pay through an auditor to help ensure that there is a stable pay environment on T5 for everybody, with a no-poaching policy operating on site for suppliers.

CONCLUSIONS

There have been significant efforts made on T5, in particular by BAA, to encourage a more diverse workforce and to employ and train local labour. In terms of training, support has been given to local colleges and to setting up a special training centre, as well as to putting in place OSAT. Skills of the workforce have been registered and monitored through the CSCS and BAA Passport requirements, and Learning World offers a potential means to identify skill needs and further develop skills. In terms of employment, the implementation of the local labour strategy has opened a door to the local labour force to be employed on the site and in construction. T5 serves as an example of good employment practices, through the policy of direct employment, which has been extremely successful in showing that there is an alternative to casual employment in construction. The policy has introduced a potential for inclusion, a pioneering attempt to stabilise and regularise the construction workforce. It has been consolidated through the careful enforcement of collective agreements and the important role of the unions on site in monitoring this, in ensuring employee involvement and participation in the project and in maintaining good industrial relations. And the image of construction as unsafe and unhealthy has to a considerable extent been broken.

These are the achievements of T5. The results in terms of diversity and the employment and training of local labour are in many respects disappointing. The apprentice record at, on the most optimistic estimate, no more than 1% of the workforce is poor and the number of apprentice places offered at the project training centre is anyway too small to make a significant impact. Few if any of the many hundred construction trainees in surrounding colleges, who well represent London’s ethnic minority population and include also women, have been able to work in construction, let alone on T5. The 150 people brought into employment through the local labour scheme also only represent a tiny proportion of the many thousands who have worked on the site. Those employed have instead increasingly been recruited from all over Britain and from elsewhere in Europe,
representing a workforce which—though diverse—is predominantly white able-bodied male. As a result, the local labour force (discounting specially recruited migrants) has become a dwindling minority and “travellers” the overwhelming majority.

What have been the obstacles to a more inclusive and local labour force on T5? One of the most obvious is the lack of work experience available and placements, allowing those from local colleges to gain practical skills in construction in order to be recognised as skilled workers. Another is the training actually on offer, almost exclusively confined to traditional trades, often narrow and devoted to single skills, and more geared to domestic construction work than to the modern construction methods deployed on sites such as T5. A third is the means of recruitment, relying almost entirely on agencies which tend to target a traditional white male and migrant workforce rather than local and diverse labour. And a final obstacle is the site working hours and shift patterns set up, which, coupled with long journey to work times, make the working day not only unhealthily long but also almost impossible for any but travellers and migrants prepared to sign the WTD opt out and work intensively. This means the site is almost structured to suit an itinerant rather than a local workforce, an aspect which is then supported through the incentives given to travellers in the pay structure.

These obstacles are not insurmountable. Any similar scheme could set up special training projects on site to provide the necessary work experience, set fixed targets for apprentice places and work placements, and establish formal links with colleges, the ConstructionSkills and training providers. Training could be longer and broader, more on the German or Dutch model, and catering for the increasingly “multi-skilled” nature of such activities as carpentry and groundworks. And the future training and skills needs of the workforce could be developed. Recruitment could be carefully targeted. Site hours and shift patterns could be structured from the beginning of the project to be inclusive and in conformity with Working Time Regulations. However, at present, there is little sign that such conditions are being put in place for the Olympic and other London developments.

18 December 2007

Memorandum by the Commission for Racial Equality

The Characteristics of Immigrants to the UK

Recent migration to the UK has been characterised by a marked diversification in terms of country of origin (Kyambi, 2005), with one academic coining the term “super diversity” to describe this (Vertovec, 2005, 2006). One of the most obvious recent changes in the composition of migrant inflows has come as a result of the enlargement of the European Union that occurred in May 2004. With eight Central and Eastern European states (termed the “A8”) joining the EU, and their citizens being given the right to work in the UK, significant migration has occurred between the new member states and Britain. The UK has also experienced rising number of people coming from outside of the EU on work permits over the past 10 years.

Immigrants to the UK have generally been more highly qualified than the native-born population, which is in contrast to much of the migration that occurs to countries such as the US (Schmitt and Wadsworth, 2006). Recently, however, the inflow has become more concentrated at the lower end of the skills spectrum (Salt, 2004). This is a complicated picture though, with migrants from the A8 states generally being relatively highly skilled but nonetheless employed in low-skilled jobs which employers have difficulties fitting from the local labour market. In this respect, A8 migrants can be seen as “high quality migrants in low-skill jobs” (Anderson, et al 2006: 34). Because of the selective and employer-led nature of the work permit and Highly Skilled Migrant Programme for migrants from outside of the EU, people coming to the UK on these schemes tend to be relatively highly skilled.

There are wide variations in the labour market outcomes of immigrants in the UK, reflecting their diverse modes of entry. Nationals of the new EU member states have very high employment rates, by virtue of the fact that their main reason for moving to the UK is for employment. At the other end of the scale, refugees suffer from very low employment rates because of problems ranging from the issues regarding the recognition of overseas qualifications, to trauma experienced in their home countries.

Overall, members of the foreign-born population20 appear to be slightly less likely to be in employment than the UK-born population, but have higher average incomes (Cooley et al, 2005). Part of the difference in employment rates is due to the higher proportion of students in the foreign-born group—a consequence of the

20 Note that the foreign-born population might not necessarily correspond with popular conceptions of the “immigrant population”, since it will include people born to British nationals overseas, who now live in the UK, and naturalised immigrants who arrived in the UK a long time ago and who consider themselves to be British.
attractiveness of British universities to international students—but most of the difference is due to inactivity amongst the foreign-born population. This higher rate of inactivity is due to a number of factors, possibly including people holding immigration statuses that do not allow them to work, cultural factors among some country-of-birth groups that mean female participation rates are low, lack of transferability of foreign qualifications, English language difficulties, higher rates of disability and discrimination.

**Economic Impacts of Immigration**

The economic impacts of immigration on the receiving country are the subject of considerable public and academic debate. Public perceptions of the impact of immigration on the labour market often start from the observation that immigration increases the supply of labour. It is thus argued that it results in more competition for jobs, lowering wages and increasing unemployment. This simplified model makes the mistake of assuming that there is a so-called “lump of labour”—ie a fixed number of jobs to be performed in the economy—and that “work is given to one person at the cost of another” (Nonneman 2007: 15). In reality, immigration increases both the supply of labour and also the demand for workers, since immigrants are not only workers but consumers too (Bercow 2005; Nonneman 2007).

There has considerable academic interest in the labour market impacts of immigration, although much of the empirical analysis that exists is conducted using US rather than UK or European data. There has been a long-standing debate between American economists over the labour market impacts of migration to the US (usefully summarised by Lowenstein 2006). George Borjas, for instance, has found that immigration has negative impacts on the employment prospects and wages of native workers (Borjas 1999), whereas David Card has found that even large, sudden migrations such as the Mariel boatlift have little impact on the receiving labour market (Card 1990) and that evidence for overall negative impacts on the US labour market is scant (Card 2005).

The most authoritative study carried out in the UK is that by Dustmann et al, (2005), who find “little evidence of overall adverse effects of immigration on native outcomes” (Dustmann et al, 2005: F337). They do find some variation in employment impacts by education levels, with some evidence of negative impacts on “those with intermediate education levels, but this is offset in the aggregate by positive effects on employment among the better qualified” (ibid). In terms of impacts on wages of the native born, they tentatively suggest that the impacts are, if anything, positive. Dustmann et al also note that one of the reasons why their results contrast with American studies, such as those by Borjas, that suggest negative labour market impacts, is that immigrants to the UK are more concentrated in the upper end of the skills spectrum than those moving to the US, an observation also made by Schmitt and Wadsworth (2006). There is also evidence to suggest that the lack of negative impacts on UK-born workers is due to migrants to the UK having skills that complement, rather than substitute, those of the native-born workforce (Manacorda et al, 2006).

Much of the research on the economic impacts of migration to the UK pre-dates the enlargement of the EU in May 2004, when nationals of the A8 states gained access to the UK labour market. Labour migrants from the new member states are generally well educated but working in relatively low-skilled jobs in the UK which employers often report are difficult to fill from the domestic labour force (Anderson et al 2006).

What research does exist on the impacts of migrants from the new EU member states has suggested that these are generally positive, if somewhat modest (Portes and French 2005; Gilpin et al, 2006; Blanchflower et al, 2007). Blanchflower et al, suggest that migration from the A8 may have reduced the UK’s natural rate of unemployment, and Gordon et al (2007) argue that, in London, immigration has encouraged job growth in the sectors that migrants are concentrated in, albeit because of wage deflation in these sectors.

While much of the debate over the economic impacts of immigration surrounds the impacts on labour markets, we should recognise that the economic impacts are in fact wider than this. Debates also often focus on attempts to calculate the economic “contributions” of immigrants, but this can be unhelpful. On the surface, the economic contribution of a low-paid migrant working as a cleaner or security guard, for instance, may seem small, but it is important to recognise that their work may support that of more highly paid workers, whose contribution appears larger, and therefore migrants may be contributing significantly to value-added regardless of their own position on the skills and pay spectrum.

**Fiscal Impacts of Immigration**

Along with the wider economic impacts of immigration, whether migrants are net contributors to the exchequer or net recipients of welfare spending has been one of the key public concerns surrounding immigration. The first major attempt to quantify the fiscal impacts of the foreign-born population in the UK
was carried out by Gott and Johnston (2002), who found that the foreign born were net contributors to the exchequer to the tune of £2.5 billion in 1999–2000. However, the methodology of the study was criticised on a number of grounds, including that it did not take account of the fiscal cycle, with the year in question being one of budget surplus (Lilley, 2005).

Taking account of these criticisms, IPPR conducted a study using updated methodology for the years 1999–2000 through to 2003–04, finding that migrants consistently make a relatively higher contribution than the UK-born population (Sriskandarajah et al, 2005). In years where there is a budget deficit, the study finds, migrants are, on average, smaller net recipients than non-migrants. The study also found that this positive contribution had risen over the period, and noted that it might continue to rise as a result of migration from the new EU member states.

The IPPR study has also faced methodological criticism, with MigrationWatch arguing that it should have classified dependent children with one UK-born and one foreign-born parent as, in effect, half migrant, half non-migrant (MigrationWatch UK 2006). Since children are naturally net recipients of public expenditure, they MigrationWatch argue that this makes the actual net contribution of migrants to the exchequer negative. One of the problems with this rebuttal is that MigrationWatch fail to apportion non-dependent children (i.e. adults born in the UK to one or two immigrant parents) in the same way. As the original IPPR study notes, “defining dependent but not non-dependent children as immigrants in the analysis is likely to result in an underestimate of the long-run net fiscal contribution of immigrants” (Sriskandarajah et al, 2005: 4), since non-dependent children will be of working age and therefore are likely to be net fiscal contributors. Neither the IPPR study nor the MigrationWatch critique are able to calculate the contribution of this group due to the design of the Labour Force Survey, which only records parents’ country of birth for dependent children. If this were possible, the fiscal contribution of immigrants would likely be positive, but it is clear that more research is required.

The consensus from studies conducted overseas seems to be that the fiscal impact of immigration is mildly positive, although there is some variation, with some indicating a positive fiscal contribution from immigrants, such as in Germany (Bonin 2006) and the US (Bolin 2006), and some a negative or more mixed impact depending on the age of immigrants, such as in the Netherlands (Roodenburg et al, 2003).

Impacts of Immigration on Public Services

There has been increasing media coverage of the impacts that recent immigration has had on public service delivery in the UK, with reports of hospitals and schools unable to cope with rapidly increasing demand. Beyond the anecdotal evidence employed by newspapers, perhaps the most that can be said about the public service impacts of immigration is that more research is needed. Very little systematic evidence has been collected with which to substantiate claims about the negative impacts of immigration on public services.

On the surface, migrants from the new EU member states should place few demands on public services, as they tend to be young and without children (see Home Office et al, 2007), and therefore not heavy users of schools or hospitals. There may be very localised effects though, where concentrations of migrant workers are found in areas not used to delivering services to rapidly changing populations. This impact may be accentuated by the transient nature of migration from the A8 states, with migrants coming into an area but only staying for a short while before returning home or moving on to a third location. This has implications for local government financing, which is often based on outdated population estimates (see Slough Borough Council 2006; Travers et al, 2007).

At the root of these problems is not immigration per se, but rather the outdated way in which population statistics are collected and calculated. Migrants living in towns such as Slough, whose council has complained about funding allocation, are contributing to the local economy and paying taxes to central government, but due to the nature of the local government funding system in the UK, this tax revenue is slow to return to local authorities, leaving them short of funding despite the overall benefits of the migrants’ presence. Furthermore, problems with local-level population statistics are not only caused by the inflow of migrants, but also by emigration of British nationals and by population movement more generally, including internal migration within the UK.

As well as being consumers of public services, migrants are also a significant factor in the provision of those services. Research evidence suggests that 29.4% of all doctors employed in the NHS in 2003 were trained overseas, compared to 23.7% in 1993. Around 10% of the UK’s nurses trained overseas, and 43.5% of new
registrations on the Nursing and Midwifery Council register between 1999 and 2004 were from outside of the UK. By 2003, 17% of all dentists registered with the General Dental Council were from overseas, and 41% of new dentist registrations in 2003 were from abroad (Kelly et al., 2005).

The Points-based System

In February 2005, the Government set out proposals for a new, tiered, points-based immigration system to replace the current complex system for labour migrants coming to the UK from outside of the European Economic Area (EEA). One of the key advantages of this system is that it will replace what is currently a highly complex system with many different routes of entry with one that will be much more transparent and composed of five tiers.

The new points-based system often draws comparisons with the Australian system for selecting immigrants. However, whereas Australia uses a points-based system for selecting people who want to move to Australia on a permanent basis (ie for settlement), the UK system will be used to select labour migrants coming for shorter periods (although these migrants will potentially be eligible for settlement after a period of time in the UK). By contrast, Australia operates a non-points based work permit system for labour migrants. Applying a points-based system to labour migrants has the potential to reduce the responsiveness of the immigration system to labour demand since it may be the case that businesses are unable to employ non-EEA nationals because they do not meet the points criteria, even if they are the preferred candidate and no local applicants are suitable (Cooley et al., 2005).

Another potential problem with the new points-based system is that is will involve the ending of low-skilled migration from outside of the EEA. The Government’s rationale for this is that migrants from the EU accession states are filling low-skilled vacancies in the labour market and that low-skilled migration from outside of the EU is therefore not required (Home Office 2005). While it is true that the EU accession countries appear well-placed to supply the UK with sufficient migrant workers to fill low-skilled vacancies in the labour market for some time to come, these is a significant correlation between economic conditions in accession countries and the level of migration from those countries to the UK (Cooley et al., 2005; Blanchflower et al., 2007), suggesting that as the new EU member states’ economies expand, they will cease to be major migrant-sending countries. This, combined with potential growth in low-skilled jobs in the service sector that cannot be performed remotely (Goos and Manning 2003; Cooley et al., 2005; McKinsey Global Institute 2005), suggests that the Government might need to rethink its strategy of phasing out low-skilled migration from outside of the EEA in the long term. With continually large income disparities between developed and developing, it is also possible that attempting to severely restrict low-skilled migration from outside of Europe may result in more people attempting to reach the UK illegally.

Migration Statistics

One of the key issues in the study of the economic impacts of immigration is the lack of availability of reliable statistics. The best source of data we have on immigrants’ economic outcomes is the Labour Force Survey, although use of the LFS relies on defining immigrants as either foreign born or foreign nationals, as the survey does not include questions on immigration status. This means that analysis of the immigrant population carried out using the LFS may include British people who happen to have been born abroad as part of the immigrant population, for example. It also makes it impossible to define between categories of entrant, and we cannot therefore separate out the economic impacts of those migrants who come here for economic reasons, such as work permit holders or A8 nationals, from people coming for non-economic reasons, such as asylum seekers.

One of the key statistical challenges relating to migration is to generate reliable data on the stock of migrants from the new EU member states who are in the UK at any one time. White data is collected under the Worker Registration Scheme, there is no requirement (or indeed possibility) for a migrant to de-register when they leave the UK. This means that the only statistics available are on net rather than gross immigration, such as those given in the regular Accession Monitoring Reports, or are based on the LFS (eg Walling 2007), which may under-sample short-term migrants.

The lack of availability of good-quality data does not only make it difficult for researchers to generate evidence-based analysis, but also hinders local government attempts to provide services to shifting demographics, as noted above. Improvements to the data collected on immigrants need to take two forms. Firstly, we need better, more reliable data on the inflow and outflow of migrants, including more accurate disaggregation of their localities within the UK. This could be achieved by boosting the sample size of the International Passenger Survey, which is the present source of national statistics on total international
migration. Secondly, there is a need for better data on the in-country performance and characteristics of immigrants, which could perhaps be achieved through modifications to the Labour Force Survey.

*September 2007*

**Memorandum by the Commission for Rural Communities**

**RURAL CONTEXT SUMMARY**

1. Nine and a half million people, one in five of the overall population, live in rural England. The rural population is growing and is projected to grow at a faster rate than England’s urban population. In part, this rural population growth is driven by high levels of (within-UK) urban to rural migration. Up until recently levels of international in-migration to rural areas have been relatively low. However the recent immigration from A8 countries has demonstrated that there is a stronger likelihood of these migrants working and or settling in rural areas.

2. As a result of natural population changes and of migration, rural areas now have a higher proportion of older people than is found in urban England and a lower proportion of younger people (eg those within the 15–29 age group).

3. By many measures, the economies of much of rural England are performing well. Rural districts host at least 30% of the country’s businesses. Annual turnover of rural firms has increased by 10% in five years to over £320 billion.

**The impact on economies**

4. Gaining economic advantage is one of the key stimulants for migration, both for the migrant worker, and also for the hosting country that is seeking to fill labour shortages and skills gaps.

5. The Institute for Public Policy Research’s (IPPR) “Paying Their Way” study in 2005 found that the per capita revenue to the Government generated by immigrants in 2003–04 was (at £7,203) higher than that for the UK born (£6,861). The study went on to show that government expenditure per capita on immigrants was lower (£7,277) than for the UK born (£7,753).

6. Treasury studies suggest that around 15% of UK trend growth depends on inward migration, and that while foreign-born migrants make up 8% of the population, they generate 10% of our Gross Domestic Product.

7. Migrants also produce *indirect* fiscal effects, for example, by introducing new industries and/or increasing the productivity of existing labour and capital, thereby stimulating the level and growth rate of production.

8. From this initial analysis, there is some evidence that:
   - The scale of arriving migrant workers is similar in rural areas to that in urban areas and, as in urban areas, numbers of arrivals are continuing to rise.
   - The arrival pattern of migrant workers in rural areas is more seasonal than in urban areas.
   - Rural migrant workers are geographically concentrated in specific areas—such as Lincolnshire, the Wash, Yorkshire and Herefordshire.
   - This geographical concentration is related to the greater concentration of new arrivals in specific sectors—manufacturing, distribution and agriculture.
   - In these rural areas migrant workers can also be a significant proportion of the overall workforce.

9. We have suggested that Defra consider the remit of the Gangmasters’ Licensing Authority. At present its operations are limited largely to agriculture. Yet gangmasters also supply labour to other significant industries in rural (and other) areas, such as tourism and hospitality, care homes and hospitals.

10. We have also suggested that the role of some potentially unscrupulous recruitment companies be scrutinised and if necessary regulated.
The economic impact of immigration: evidence

What are the numbers and characteristics of recent immigrants—age, gender, country of origin, immigration status, duration of stay, skills and qualifications?

11. Our analysis is based on information collected via the Workers’ Registration Scheme. These registrations are grouped according to the workplace of the individual. Analysis has also been undertaken of those registrations for National Insurance numbers made by all non-UK nationals. It is important to note that there are a number of different data sources used to report on migrant workers, that they are all far from perfect and that official statistics on this topic are under review.

12. According to the available information from the WRS, around 120,000 migrant workers registered in the rural areas of England between May 2004 and September 2006. This represents 23% of the total number of WRS registrations across England as a whole over this period.

13. To put this figure into perspective, the total number of rural WRS registrations over the 29-month period is equivalent to around 170 for every 10,000 people of working age—a figure in line with the overall English figure.

14. The information on National Insurance Number registrations made by non-UK nationals suggests a lower rural proportion of the overall English total. This may be related to the different approaches used. The National Insurance information relates to an individual’s place of residence. Consequently people who live in urban areas but who work in rural areas would not be included in these statistics.

How do the characteristics of EU migrants differ from other migrant groups?

15. European migrants are more likely to work and settle in rural areas than previous waves of immigrants from for example the Indian sub continent.

What are the expected future trends for immigration from within and outside the EU?

16. September is the peak registration month in each year to date. This strong seasonal pattern is less pronounced in the equivalent registration data for urban areas.

17. Over the period for which we have data there is a clear year on year increase in the number of people registering on the WRS in rural areas, although the rate of increase is slowing. A similar rate of increase has been seen in urban areas.

18. The data on National Insurance registrations suggests that, if anything, the rate of increase is greater in rural areas than in urban.

2. In what sectors and occupations are immigrants employed?

19. The WRS data can also identify the key economic sectors within which the rural A8 Migrant workers were employed between May 2004 and September 2006. In terms of absolute numbers, there are three key sectors:

   — Manufacturing (33% of all rural registrations).
   — Agriculture and fishing (25% of all rural registrations).
   — Distribution, hotel and retail (20% of all rural registrations).

20. These three sectors take on over three quarters of registrations in rural areas. In comparison the same three sectors account for 36% of overall rural employment. Clearly, migrant workers are more concentrated in specific industries than is the case for rural employees as a whole.

21. In comparison to the overall local workforce in rural areas, we can see that migrant workers are highly “over-represented” in both manufacturing (which includes businesses such as food processing and pack-houses) and in agriculture/fishing, while they are highly “under-represented” in sectors such as public administration, education and health and banking, finance and insurance.

22. This more concentrated pattern of employment for A8 workers is also seen in urban areas however there are some differences in the specific sectors.
How do migrants' labour market outcomes—including their employment rates and earnings—compare to those of local workers?

23. Many migrant workers recognise that the jobs they take are often arduous, relatively poorly paid and often do not utilise their skills to the full extent. However, jobs that are considered to pay little in the UK are relatively well paid compared with their home countries.

What determines migrants' performance and integration in the UK labour market?

24. Learning and speaking English are key elements, as are being aware of employment rights and UK customs and protocols. Migrants come to the UK to gain experience of living abroad and gaining wider experience as well as to earn money.

25. There is a wide range of attitude on the part of projects to help employers as to how much they should do to help migrants integrate. It should be self evident that if an employer takes the trouble to help their workers integrate there is a good chance that they will perform better in the workplace.

26. Some voluntary bodies are now employing migrants as part of projects to help migrants integrate. Such initiatives should be supported and encouraged.

27. Other support agencies such as RDA’s and Business Links and local authorities are now feeling the pressure to provide services, however in most cases there is a lag between what is being demanded and the funds to support the growing demand.

3. Why do employers want to hire immigrants?

28. Migrants from Eastern Europe are noted for their willingness to work hard for relatively little reward. Many employers also consider that young people from the UK are often not adequately equipped or experienced to do even relatively low skill level work and may have an “attitude problem”. Therefore a relatively skilled hard working and willing migrant is an attractive proposition for many employers even though communication can be an issue.

In short migrants work hard and are relatively inexpensive to employ.

Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why?

29. At this relatively early stage in migration effects from A8 migrants it seems apparent that in rural areas relatively low skilled jobs are those that are available to them. However over time as migrants improve their language skills and become more accustomed to UK protocols and customs it is possible that they will move up the employment skills hierarchy and get higher paid more demanding and rewarding work.

30. Some rural economies would become vulnerable to “a big hit” should there be a sudden reversal in the influx of migrant workers from the A8 countries, with immediate and potentially damaging consequences to businesses suddenly faced with shortages of labour and higher labour costs. This might be of particular concern to the manufacturing, distribution and agriculture sectors. This type of situation was recently reported in connection with the lack of availability of strawberries due to lack of migrant labour to pick them. The effects of recent flooding on the rural economy may make the need for migrant labour to rebuild and support shattered communities even more critical. It may be that also as a result of flooding and disruption migrant workers may choose to work elsewhere in Europe or return home.

What is the impact of immigration on mechanisation and investment in technical change?

No comment

What are the alternatives to immigration to reduce labour shortages?

31. This issue to some extent is being addressed through the Governments Welfare Reform Programme.

32. Young people should be supported to gain the skills required to function well in a workplace. This includes skills for life such as team working, co-operation, responsibility, initiative as well as the technical or trade skills required. They will then be better equipped to compete for jobs and fill labour shortages.

33. Older workers should be encouraged to retrain if necessary or utilise their acquired skills and experience in different roles to fill gaps in the local economy, or even mentor younger people to help them take up work.
4. What impact has immigration had on the labour market, including wages, unemployment and other employment conditions of the UK workforce, and has it differed for skilled and unskilled employees?

34. It is highly likely that in rural areas the jobs that would have in the past been attractive to both low skilled workers and young inexperienced workers are now being taken by migrants from abroad. This may have the effect of maintaining wage levels at or even below the national minimum wage and reducing the potential for indigenous workers to gain basic employment, skills and the potential to progress. But we are not yet aware of any hard evidence on this issue. The impact of migrant workers on skilled trades such as construction has been well documented given the relative lack of local trades skills available in some parts of the UK. However with other sectors such as clerical and managerial at this stage it appears have not been affected as a result of migrants.

How does the minimum wage affect the impact of immigration?

35. In any further work by the Low Pay Commission into the operation of the National Minimum Wage we urge that attention is paid to any rural aspects of the labour market and minimum wage levels.

36. Migrants working legally are eligible for the national minimum wage and therefore have some degree of certainty about what rewards they can expect for their labour. This may make the UK a more attractive opportunity than other EU member states that do not have a minimum wage structure in place.

5. What is the economic impact of illegal immigration, including on employment, wages and the fiscal balance?

37. Basic laws of supply and demand would suggest that any illegal immigrants working in the UK will tend to suppress wages for some types of work. The fact that illegal immigrants will be likely prepared to work in poor conditions without safeguards and on low pay means that unscrupulous employers, gangmasters and others may seek to exploit the situation.

38. Jobs that would have been available to indigenous low skilled workers will possibly therefore become scarce for those working within a legal framework compounding problems of low skills and poverty.

6. What is the economic impact of a net change in the UK population?

No comment.

If there is a net increase, does the impact differ when this comes from higher immigration rather than from changes in birth and death rates?

No comment

7. What has been the impact of immigration on key macroeconomic indicators: GDP and GDP per head, unemployment, productivity, investment, inflation and asset prices especially housing?

No comment.

Do the economic effects of immigration vary over time?

No comment

8. How does immigration affect the public finances?

39. It is apparent that there is a lag between the settlement that local authorities receive from Central Government and the increasing costs associated with providing a whole range of public services. This was most recently raised by The Chief Constable of Cambridgeshire reporting the extra costs associated with policing a significant and increasing migrant community.
Do immigrants contribute more in taxes than they use in public services?

40. The Institute for Public Policy Research’s (IPPR) “Paying their way” study in 2005 found that the per capita revenue to the Government generated by immigrants in 2003–04 was (£7,203) higher than that for the UK born (£6,861). The study went on to show that government expenditure per capita on immigrants was lower (£7,277) than for the UK born (£7,753).

As the UK population ages, does immigration affect the shortfall in pension funding?

No comment

9. How has immigration affected public services such as health care, education and social housing?

41. The CRC fully recognises the big economic benefit that migrant workers from the A8 countries have brought to rural England. However, there are concerns about the effects this migration is having on already over-stretched public services in rural areas. Unlike many urban areas rural public service providers have little experience of dealing with such a large influx of people and some may be struggling to cope.

42. The funding agreement for rural local authorities is still based on the very outdated 2001 census figures and needs to be urgently reviewed. It is now up to central government, local authorities, businesses and voluntary service providers to work together to ensure that migrant workers are fully integrated into rural areas and that there is proper funding of services in place to serve these new enlarged communities.

43. It is widely accepted that the Office for National Statistics (ONS) mid-year estimates (on which many resource allocation decisions are based) significantly underestimate the number of migrants within different district areas. This means that public service providers do not receive the necessary support from central Government to cover the costs of service adjustments and provision needed.

44. Tax revenues coming from migrant workers are generally accruing to central government, rather than to local government (through income tax, national insurance contributions, VAT and also through corporation tax).

45. We strongly urge central government to review and adjust resource allocations supporting locally delivered public services to reflect the cost pressures being faced. This should follow on from reforms that the ONS is currently researching and implementing in its collection of population estimates.

46. Until such a review is completed, the Government should firstly ‘top up’, on a temporary basis, existing budgets allocated to service providers and secondly, it should then ‘top slice’ these budgets to create a temporary and adequate fund. This fund should be used to help support local services in the localities most affected. This will require consultation with the Local Government Association and other interests to determine the size and management of such a fund. A similar recommendation has just been made by the Institute for Community Cohesion in a report for the Local Government Association.

Housing

47. Much the same migrant worker housing issues apply in both urban and rural areas. However, in rural areas caravans, caravan sites and converted farm buildings are also being used to house migrant workers, particularly those working in seasonal agricultural work. Poorly managed and unlicensed sites can lead to health and safety breaches and, on occasion, are seen as an “eye-sore” on the landscape.

48. In some rural areas migrant workers are housed in urban areas and are “bussed” into rural areas for work and there may be issues around health and safety concerning the drivers and vehicles used and possibly overcrowding.

Services

49. Those rural areas with clusters of migrant workers can face some significant public Service challenges. Local authorities, and their partners, in these areas can have capacity Challenges (compared to larger and better resourced urban authorities), as well as issues around the knowledge and skills they need to respond effectively. There may also be a lack of resources. For example rural schools may be faced with children where English is not their first language, and since this will sometimes be the first time they have encountered this, they will need additional resources in order to respond effectively. Similarly, there may be challenges in the provision and funding of English for Speakers of Other Languages (ESOL) courses in rural areas.
10. How has this varied across the country?

50. Clearly areas where migrant populations tend to work and settle will be affected more than those that are less attractive to them. In terms of rural areas at the moment areas that have significant land based industry and relatively inexpensive housing tend to be those that have the largest populations of migrants. From our research these include the Fens, Lincolnshire, Norfolk, Herefordshire, parts of Cumbria, parts of the West Country and the Vale of Evesham. These areas often have little historical experience of dealing with influxes of migrants may not have the capacity to service the needs of growing immigrant populations.

51. In some specific rural areas (such as Herefordshire, Lincolnshire and Cambridgeshire, as well as other areas around Somerset and Devon) there is a high concentration of migrant workers arriving in proportion to the local labour force. This is higher than in most urban areas.

52. Rural areas have seen little recent in-migration compared to urban areas. In those rural areas where there are significant numbers of migrant workers, there may be some tensions between the settled and new arrivals in communities. There may also be some inter-generational issues and tensions arising in those areas where the older indigenous community is faced by an influx of younger in-migrants.

53. In strategic terms, the focus of attention and action should be towards achieving better And safer communities for everyone, rather than treating migrant workers who live in rural areas as a “problem” or “issue” that needs to be “solved”. Local authorities and their Partners in local strategic partnerships have an important role to play in meeting the needs of new arrivals (either short-term or long-term stays) and in addressing the local tensions that population change may sometimes bring.

11. Are there any relevant parallels and lessons for the UK from the economic impact of immigration on other OECD countries?

No comment

12. How do differences in migrants’ skills affect the economic impact of immigration?

54. As previously mentioned those on the margins of employability such as young unskilled, older unskilled, those with disabilities, people with caring responsibilities, seem to be more affected in terms of employment opportunities available to them by the influx of migrants. Over time as migrants are able to bring in to play their full range of skills and become more accustomed to working in the UK it is possible that higher level jobs will become affected by those who have chosen to settle in the UK. Subsequent waves of migrants from countries such as Bulgaria and Romania (whilst numbers will be limited) are likely to then take up the low skilled jobs that remain.

55. Migrant labour is seeking to fill labour shortages and skills gap. Some employers believe that UK businesses would suffer or could not survive without migrant labour. Treasury studies suggest that around 15% of UK trend growth depends on inward migration, and that while foreign-born migrants make up 8% of the population, they generate 10% of our Gross Domestic Product. A recent study by the East of England Development Agency has recently estimated the revenue gain from migrant workers in the region is at £360 million per annum.

It may well be the case that the concentrations of migrant workers, in rural areas, are lowering the age profile of some otherwise ageing rural districts. Therefore we may be seeing more socially sustainable communities and a creation of a more viable market place for services in some areas.

56. Whilst the cost of providing English language courses is not a distinctly rural issue, we feel that recent reports by the National Institute of Adult Continuing Education (NIACE) and the Audit Commission made a series of strong recommendations, which we would advise the Government and others to respond to positively. There are some distinctly rural aspects to this issue, mainly surrounding the additional difficulties migrant workers in rural areas may have in accessing English for Speakers of Other Languages (ESOL) courses in terms of distance and time and modes of transport.
We are aware that the Department for Innovation Skills and Universities has been responding to these concerns. It is important that National ESOL Forum, funded by the Department for Innovation Skills and Universities, continues to monitor the position on ESOL provision, particularly the rural aspects mentioned above.

What is the relationship between the Government’s migration policies and labour market policies?

57. There are two key differences between the number of WRS registrations in rural and urban areas. These are:
   (a) there is a seasonal trend in registrations in rural areas, with September being the peak, and
   (b) there is a higher concentration of migrant workers in certain rural areas. This is further emphasised with a higher proportion of registrations relative to the local labour force.

58. Taking these two points into account, the CRC believes there is a strong need for local strategic partnerships to review the potential impacts of migrant workers on local services, on local economies and on community cohesion, with a view to strengthening the responses of public, private, and third sector bodies to the challenges and opportunities arising.

59. Indeed, the CRC is aware, despite the challenges faced by many organisations providing public services, that there are still commendable examples of public service responses to the needs and challenges posed by rural migrant workers.

13. How can data on immigration be improved?

60. There has been much commentary and recognition of the shortcomings of data gathering in this area and it is clear that there is a need for more accurate data on incoming and outgoing migration.

What improvements are already being put in place?

No comment.

To what extent have “inadequate data” affected public policy?

61. Inaccurate data will make informed policy debate and fair resource allocation difficult.

How confident can we be in forecasts of future immigration and how important is it that such forecasts are accurate?

62. There will always be flaws in the data but there should be urgent attempts to improve the accuracy of data and forecasting.

14. How do the Government’s policies, including immigration and labour market policies, affect the scale, composition and impacts of migration?

No comment.

How will the points system for immigrants from outside the EU operate?

No comment

How will the Government decide where there are skill shortages in the economy as the basis for its points system?

63. Gathering data and intelligence from a broad cross section of organisations and industries should give good indications of areas where there are skill shortages. However, labour market forces can be difficult to predict and therefore caution should be exercised in intervention.
What has been the international experience, eg in Australia and Canada, of such a points system?

No comment.

How will the Government respond to employers asking for non-EU workers to fill low-skilled jobs?

64. It is important to recognise that the migrant workforce is not a static body; its composition changes depending on migration flows in and out of the UK. These can be dependent on circumstances, not just in the host country, but also in the exporting country. Thus, a migrant workforce that might be identified as consisting of a particular national group in one year may be made up of a different group the following year. This is of particular relevance with Romania and Bulgaria joining the European Union in 2007.

65. Workers from Romania and Bulgaria will initially be restricted to existing quota schemes to fill vacancies in the agriculture and food processing sectors. Much of this work takes place in rural areas. They will have rights to work limited to six months and this will not give them access to benefits or to public housing.

15. Should more be done to help immigrants boost their productivity in the UK?

66. In order for overseas migrants to fully contribute to the economy it is necessary to gear a range of organisations and institutions up to meet the demands that successive waves of migration will bring. This is particularly the case in rural areas where there has been no significant history of migrants working or settling in the community.

67. There is scope for Regional Bodies and Employers possibly working together to do more to ensure that migrant workers are equipped with the information they need to ensure that they are aware of their employment rights, health and safety at work issues, accommodation and transportation concerns and local customs. So that migrants are able to contribute fully to the economy and feel secure in the communities in which they live.

68. There is a growing recognition that local communities, particularly in rural areas where there is possibly no precedent or experience of migrants from abroad, need support to equip themselves to welcome migrants. The social cohesion issues that are emerging in some parts of rural England demonstrate that local communities need support and advice and in some cases capacity to deal with influxes of migrants. Preparing communities for successive waves of migrants now will help ensure that in future conflicts associated with prejudice and racism may be reduced. This should include work in schools and youth orientated organisations, colleges and leisure facilities. Also Parish and Local Councils, Voluntary sector organisations and association

69. There would be benefit in RDAs, working in partnership with others, undertaking mapping of training provision for English for Speakers of Other Languages (ESOL) in their regions and looking at the location, content, timing and access to courses to meet the needs of rural, and other, migrant workers and their employers. RDAs may also want to undertake economic risk analysis to local economies from any sudden disruptions to the supply of migrant labour, and to put in hand contingency planning if this is considered necessary.

29 September 2007

Memorandum by the Department for Work and Pensions (DWP)

Does Jobcentre Plus (JCP) help migrant workers from within the EU find jobs? If so, how has the experience of helping migrant workers find a job compared to helping the locally unemployed?

On entering the UK, an EU migrant can access JCP self service employment services in the same way as a local unemployed person—they can look for work through the JCP website, through the self service job kiosks in JCP offices and through the Jobseeker Direct telephone service. As these services are of a self service nature, there is no information available on the extent to which migrant workers use them or on the outcomes of migrants’ use of these services.

Once an EU migrant has met the conditions for claiming Jobseeker’s Allowance (including having demonstrated that they have a right to reside and are habitually resident in the UK), they have the same rights of access to the full range of JCP services and employment programmes as a local unemployed person. They also have the same responsibilities to do everything they can to get themselves into work. Information is not

21 Conditions for accession state nationals differ from those which apply to other EU nationals.
The economic impact of immigration

Evidence

available about the numbers of migrants accessing the New Deal, but the number of non-UK EU nationals claiming Jobseeker’s Allowance is low.

Jobcentre Plus translates its key leaflets into Arabic, Bengali, Chinese, Gujarati, Punjabi and Urdu and also provides an interpreter service where appropriate. It is also piloting a leaflet in Polish on the self service jobsearch support provided for migrant workers already in the UK, which seeks to channel enquiries to our e and phone routes.

JCP is a member of the EURES network, the European network for promoting and supporting the mobility of workers which was founded in 1994. JCP discharges its obligations as a member of this group by providing a link from its vacancies website to the official EC mobility web site, by publishing information on living and working in the UK, and through a small network of 20 EURES advisers who offer advice on EU labour markets and seek to influence employers who use migrant labour to consider JCP priority customer groups by promoting its services and initiatives.

For jobs in sectors which have relatively large numbers of migrant employees—eg agriculture, catering and construction—why are these jobs not being filled by local workers? Do local workers refuse to do such jobs? Or in some cases is there a skills shortage that cannot be met by the local population? Do you find employers in some sectors prefer to employ migrant workers instead of locals? If so, why?

Jobseekers Allowance customers cannot refuse a job offer without reasonable grounds, but in some sectors which have relatively large numbers of migrant employees the work available may not be appropriate/a realistic option for JCP customers for practical reasons.

For example, agricultural work a long way away from population centres might be unsuitable for someone without their own transport—but still attractive to a migrant who is prepared to live on site. Hard physical work will not be appropriate for most Incapacity Benefits customers, and 12 hour night shifts would not be appropriate for many lone parents.

In some sectors (construction, for example) shortages of specific skills are an issue. The Government recognises the importance of migration for these sectors but also recognises that there is more to do to enable local unemployed people to compete effectively for jobs.

The newly established Migration Advisory Committee (MAC) and the UK Commission for Employment and Skills (CES) will play a joint role in identifying and addressing such skills shortages. The MAC by providing independent and evidence-based advice to Government on specific sectors and occupations in the labour market where shortages exist which can sensibly be filled by migration and the CES through its role in overseeing performance of the Sector Skills Councils, and by strengthening the role of employers in the development of a more integrated employment and skills service which is better tailored to meeting the needs of employers and thereby addressing skills shortages.

Previous JCP investigations across a range of sectors have shown that there is strong anecdotal evidence that migrant workers are perceived by employers as harder working and more reliable and that they often have contacts and friends to recommend to employers, making the “grapevine” a common recruitment route. There is also anecdotal evidence that some employers choose to recruit directly in Eastern Europe or use recruitment agents who specialise in supplying migrants.

As part of Jobcentre Plus support for employers, EURES advisers offer advice on EU labour markets and seek to influence employers who use migrant labour to consider Jobcentre Plus priority customer groups by promoting its services and initiatives. For a few employers with clear skill shortage vacancies, more comprehensive help is offered including putting them in touch with EURES services in other countries. At the request of member states, advisers also attend overseas events with the prime aim of reducing speculative migration to the UK. They do not support employers at these events.

The recently introduced Local Employment Partnerships (LEPs) are aimed at strengthening the relationship between employers and Jobcentre Plus. Through the LEPs, Jobcentre Plus is working with an increasing number and range of employers to look at measures that can help support benefit claimants back into work.

The measures include: offering work trials; working together with other partners on the design of pre-employment training, and agreeing guaranteed interviews for benefit claimants who complete this training; encouraging the mentoring of long term claimants by employees to help prepare them for work; reviewing application processes to ensure benefit claimants are not inadvertently excluded.

22 Figures have been supplied to the EAC as part of the evidence the Office for National Statistics have submitted for the Inquiry. Statistical Evidence on the Economic Impact of Immigration. Full document available at: http://www.parliament.uk/documents/upload/EA235%20ONS.doc
In addition, Jobcentre Plus is analysing the occupational preferences of benefit claimants and comparing these to employers’ job forecasts. This enables Jobcentre Plus to identify training/support needs and/or where they need to target efforts to secure additional jobs. Jobcentre Plus Account Managers work with employers to support their recruitment needs and discuss these at both a strategic national level and for specific recruitment exercises. Through these discussions there are opportunities to talk to employers who do recruit from the European Union and to look at how the employer can best fill their range of vacancies, always seeking to maximise the vacancies available to long term benefit claimants.

Many migrant workers appear to be doing jobs for which they are over-qualified. In your experience are there any particular reasons why migrant workers are not doing jobs that are better suited to their qualifications? Do you find that over time migrant workers take up jobs that are better suited to their qualifications?

Evidence previously submitted to the House of Lords by the Home Office in partnership with DWP includes some discussion of whether migrants are doing work for which they are over qualified. The evidence cites a study by external economists which notes that many new arrivals initially move into lower level occupations than their skills would dictate, and states that this is something policy is addressing through initiatives such as English language training (ESOL), so that language does not represent a barrier to migrants putting their skills to maximum productive use.

The evidence also cites an external study which suggests that the labour market performance of foreign born workers changes with length of residence in the UK—possibly because they acquire additional skills specific to the UK economy, or tailor their existing skills to the UK labour market.

External researchers (Dr Richard Dickens and Dr Abigail McKnight) are currently examining, using DWP data, the labour market progression of immigrants entering the UK in terms of their assimilation into the UK labour force. The findings of this research will be published in due course.

Jobcentre Plus has not conducted any analysis of this issue, but there is some anecdotal evidence to suggest that some migrants take on jobs for which they are over-qualified. This may be because it is quicker and easier for migrants to access low-skilled work because of the nature of the recruitment processes involved. In addition, the difference in wage levels between, for example, the A8 countries and the UK may mean that low skilled work is an attractive option for many migrants, despite the fact that they may have higher skill levels than the job requires.

From 2008, the Government will introduce a Points Based System (PBS) to replace the existing 80 different routes by which a non-EEA national can come to the UK to work, study or train. Central to the design of the new PBS are: a five tier framework, which will help people understand how the system works and direct applicants to the category that is most appropriate for them; a points-based approach to determining which migrants will be successful with their applications; and the inclusion of sponsors to help ensure that the system is not being abused. For non EEA nationals there is only a limited risk that highly skilled people (Tier 1 Highly skilled individuals to contribute to growth and productivity) would want to take up jobs that JCP client groups might take, and for other tiers the design of the PBS should make it unlikely that( skilled people would be competing for jobs where there are no shortages.

30 November 2007

Memorandum by Dungannon and South Tyrone Council

1. What are the numbers and characteristics of recent immigration? How do the characteristics of EU migrants differ from other migrant groups?

Stemming long term trends of outward migration there has been new steady inward migration to the Borough from around the year 2000. This is mostly from elsewhere in the European Union—at first Portuguese citizens but subsequently from the A8 countries, particularly Lithuania and Poland following their accession in 2004.

There are also smaller numbers of non-EU migrant workers. As detailed below EU migrants tend to be concentrated in labour shortage occupations where as non EU migrant workers in high skills professions.

Dungannon South Tyrone, a largely rural area with a population of just over 50,000, is the Northern Irish local government district that has most benefited from inward migration. Official statistics come from the Northern Ireland Statistics and Research Agency (NISRA) Mid Year Population Estimates. These indicate that international migration here in both real terms and percentage terms migration higher than any other area, including the cities of Belfast and Derry. The migrant population has increased from under 1% to constitute an estimated 7–8% of the population in just over five years.

2. In what sectors and occupations are migrants employed in how does it differ from local workers?

Migrant workers are concentrated in areas of the economy where there are labour and skills shortages. In this area many EU migrants work within the food processing industry and manufacturing along with smaller numbers in other areas. In relation to non EU migrants the main sector has been the nursing and medical sectors. Other areas such as engineering are also significant. Local persons also work in these sectors along with other sectors, where often there are few migrant workers. There is next to full employment in the Borough with the claimant rate below 2%. Inequalities however are still a sore point including for many migrants. One key pattern from research it is that migrants tend to be working in occupations well below their actual level of skills and experience.

3. What impact has immigration had on the labour market, including wages, unemployment and working conditions of UK workforce? Does the impact differ between skilled and unskilled workers?

We commissioned independent economic impact research which looks at the above in detail. (McVeigh and Fisher, 2006, appended) This research notes that:

— In Northern Ireland there is a broad consensus (across business and labour perspectives) that migration has had a positive impact.

— There have been a number of positive impacts locally including: prevention of staff shortages within the health sector; the injection of additional spending power into the local economy and crucially retention of industries (particularly food processing) that otherwise would have closed causing major direct loss of employment and a knock on effect with job losses on farmers, suppliers, the service sector etc.

— As regards impact on employment they note that as migration has increased, unemployment has fallen and economic activity risen. It is more complex to establish a direct causal relationship for the same.

— Notably the negative impacts they indicate have fallen most heavily on the shoulders of migrant workers. This is in relation to exploitation, underpayment and discrimination, which will have a knock on effect on local workers.

In directly addressing the question of what “impact immigration has on the labour market” it is important to be explicit and clear about what is an impact of immigration and what is an impact of other factors. This is relevant to the issue of wage deflation:

— Clearly where there are cases of discriminatory or underpayments of migrant workers this can lead to downward pressure on wages. This is not an impact of immigration but an impact of exploitation and should be tackled as such through an employment rights approach that reduces the vulnerability of migrant workers to abuse.

— There can also be sectors where downward pressure is being exerted on wages by other factors eg increased global competition. Migrants may work in such sectors where locals used to. Migrants are in this case the symptom rather than the cause of economic change, but this is often confused.

The authors also indicate the need to separate perception and fact in relation to economic discourse on migration.
4. How does immigration affect public finances? Do immigrants contribute more in taxes than they use in public services?

5. How has immigration affected public services such as health care, education and social housing? How does this differ across the country?

We feel both these questions are interrelated:

— We are aware of comprehensive research to this regard conducted by the Institute of Public Policy Research regarding fiscal impact of immigration. This indicates migrants are effectively currently subsidising the broader population. At the same time migrants, as people, should be entitled to public services and social protection, where costs are determined by individual needs.

— We are aware of considerable discourse arguing “migration constitutes a strain on public services” and are unclear of the logic of this. More migrant workers means a corresponding additional tax take and hence more revenue for the same services. What in this context causes strain on public services is poor or inadequate planning. Just as important is the need to adapt public services to ensure their accessibility to migrants.

This is an important distinction as any practices scapegoating migrants for real or perceived failures in public provision are highly dangerous. They can feed racist propaganda of migrants being parasitic and a burden on society. We have had considerable problems of racist violence within the Borough. In 2005–06 a total of 102 racist incidents were recorded by the police. Research has identified that there are a number of key factors informing anti-migrant racism and this includes perceptions on impact on public finances and provision. In one incident, prompting the visit of the Lithuanian Ambassador, migrants appear to have been scapegoated for the lack of affordable housing in the Borough and their homes attacked. We and others have engaged in a number of initiatives to challenge racism including discourse scapegoating migrant workers for health and housing capacity. Subsequently we have seen a significant fall reported incidents down to 58 in 2006–07.

We do have acute issues in the Borough in relation to the lack of affordable housing, there are a broad range of real causes for this. This impacts severely on all persons with low incomes, including many migrant workers.

6. How can data on immigration be improved? How far have “inadequate data” affected public policy?

This is directly related to the above issue of planning and Council did raise concerns with NISRA regarding the reliability of indicators used to inform Mid Year Population Estimates. At this time there was reliance on the electoral register and GP registrations. NISRA have since added other indicators including National Insurance Numbers and Worker Registration Scheme data. Whilst we feel figures prior to this may constitute an undercount we recognise that this has subsequently significantly improved. Whilst there is always room for enhancement there are adequate indicators to allow planning of local services to take place. However this is not always harnessed. The Dungannon South Tyrone Area Plan published in 2005 by the Department of Environments’ Planning Service did not mention the words “migration” “immigration” or “migrant workers” at all. Population increase was mentioned just once, in a different context.

A four way process led by the Department of Employment and Learning involving central and local government, NGOs, Unions and Business led to the drawing up of an overarching migrant worker strategy for Northern Ireland. A research subgroup of this has looked at improvements in data gathering. Suggestions have been made at this regarding better information from Revenue and models such as the Republic of Ireland’s Quarterly Household Survey. We have also urged the inclusion of short term migration into statistics; public services need to be provided from day one.

19 September 2007

Memorandum by the Economic and Social Research Council

INTRODUCTION

1. The Economic and Social Research Council (ESRC) funds research and training in social and economic issues. We are an independent organisation, established by Royal Charter, but receive most of our funding through the Department for Innovation, Universities and Skills. Our budget of £181 million (2007–08) funds over 2,500 researchers in academic institutions and policy research institutes throughout the UK. We also support more than 2,000 postgraduate students.

2. This memorandum is submitted by the ESRC and represents our independent evidence, drawing on relevant research which we have funded. It does not include, or necessarily reflect, the view of the Department for Innovation, Universities and Skills (DIUS).
RELEVANT ESRC FUNDED RESEARCH

3. The ESRC funds a number of centres which carry out research in areas relevant to this inquiry. The most obvious of these is the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford. However, we understand that this inquiry is being co-ordinated by Martin Ruhs, who is a Senior Researcher at the Centre, and that two of the Centre’s staff will be providing oral evidence. To avoid repetition we will therefore not be setting out any evidence from the work of this centre here.

4. The ESRC Centre for Economic Performance (CEP) at the London School of Economics and Political Science (http://cep.lse.ac.uk) has done some work on the economic impact of immigration. At the time of the last General Election, CEP produced a policy briefing which provided their overview of the evidence from economic research (http://cep.lse.ac.uk/briefings/ea_wadsworth.pdf). This set out that there are many economic benefits associated with migration, especially to fill gaps in the UK labour market—where there are shortages of workers, whether high skilled or low skilled. In theory, there could also be costs to particular groups, but there is little evidence of an overall negative impact on jobs or wages.

5. Some of the Centre’s other publications have looked at this issue in detail. In particular, Manacorda, Manning and Wadsworth (2006) “The Impact of Immigration on the Structure of Male Wages: Theory and Evidence from Britain” (CEP discussion paper no. 754, http://cep.lse.ac.uk/pubs/download/dp0754.pdf). This found that immigration to the UK has risen in the past 10 years and has had a measurable effect on the supply of different types of labour. However, existing studies of the impact of immigration on the wages of native-born workers in the UK had failed to find any significant effect. This is something of a puzzle since others had shown that changes in the relative supply of educated natives did seem to have measurable effects on the wage structure. This paper offers a resolution of the puzzle—natives and immigrants are imperfect substitutes, so that an increase in immigration reduces the wages of immigrants relative to natives. This is shown using a pooled time series of British cross-sectional micro data of observations on male wages and employment from the mid-1970s to the mid-2000s. This lack of substitution also means that there is little discernable effect of increased immigration on the wages of native-born workers. Their estimates suggest that the only sizeable effect of increased immigration is on the wages of those immigrants who are already here.

6. The following CEP papers on related topics might also be of relevance:

This paper investigates the location choice of immigrants at retirement and the determinants of that choice. It looks at a new migration strategy for immigrants at retirement, which is to spend a fraction of the year in the host and the rest in the origin country.

[Summarises the paper above]

This paper presents evidence on the effect that temporary migration to the United States has on the earnings of Mexican workers. The analysis indicates that Mexicans that migrate temporarily to the United States for work reasons get significantly higher earnings in the US labour market than in the Mexican one during the period of migration. They also tend to work longer hours and face a higher likelihood of non-employment during the period immediately after returning to Mexico. The gains from temporary migration are lower for more skilled workers and for those migrating from the most distant regions in Mexico, relative to the United States.

Manning and Roy (2007) “Culture Clash or Culture Club? The Identity and Attitudes of Immigrants in Britain” CEP discussion paper no. 790 http://cep.lse.ac.uk/pubs/download/dp0790.pdf
This paper investigates the extent and determinants of British identity among those living in Britain and the views on rights and responsibilities in society.

7. An ESRC funded project on “Immigration: Impact, Outcomes, and Reception”, led by Professor Christian Dustmann of University College London, reported many of its conclusions in a discussion paper in 2005 on the impact of immigration on the UK labour market. This is available from UCL’s Centre for Research and Analysis of Migration: http://www.econ.ucl.ac.uk/cream/. This paper provides an empirical investigation of the way immigration affects labour market outcomes of native born workers in the UK. It shows that the overall skill distribution of Britain’s immigrant workforce is remarkably similar to that of the native born workforce. It investigates the impact of immigration on employment, participation, unemployment and wages of the resident population and finds no evidence that immigration has overall effects on any of these outcomes.
at the aggregate level. If there is evidence of negative effects on employment in any group, then it is for those with intermediate education levels, but this is offset in the aggregate by positive effects on employment among the better qualified.

8. An ESRC funded project on “Mobility and Excellence in Scientific Labour Markets: The Question of Balanced Growth”, led by Professor Louise Ackers of the University of Leeds examined the international movement of scientists within Europe. The 12 month pilot study focused on the flow of scientists between Italy and the UK: http://www.sci-soc.net/SciSoc/Projects/Economics/Mobility + and + excellence + in + scientific + labour + markets.htm


It focuses on the flow of scientists from Poland and Bulgaria to the UK and Germany. It seeks to develop our understanding of science mobility, and factors involved in the career, migration and location decisions of scientists. The study aims to better understand the benefits of mobility to receiving countries and to mitigate the effects of this on sending regions within the European Research Area. As such, it aims to inform our understanding of the contribution of mobility to science labour markets (specifically in the context of skills shortages in the UK), economic growth and competitiveness. This second project has only recently been completed and results are expected in the autumn. Both of these projects were part of the ESRC’s Science in Society Programme.

9. An ESRC funded project on “The New Zimbabwean Diaspora: Inclusion and Exclusion in the UK” led by Dr JoAnn McGregor (then of the University of Reading, now of UCL) explored the experiences and perspectives of recent Zimbabwean migrants to the UK, focusing on skilled and unskilled employment in the welfare sector. It included an examination of the reasons why social care has become an important focus of employment for Zimbabweans and explored the means by which migrants of different legal status have negotiated work in a diverse sector. The study highlighted how a combination of vacancies for carers, and deteriorating conditions of work resulting from privatization had encouraged the incorporation of migrants into this sector. It showed the clustering of Zimbabwean social networks around the industry, partly because entrepreneurs with connections to Zimbabwean networks had set up in business as care and temporary labour agencies. The study highlighted the particular problems faced by those with irregular status, particularly failed asylum seekers and recent arrivals, some of whom experienced various forms of labour exploitation, including “bonded” labour. Most Zimbabweans interviewed had been able to manoeuvre out of the most abusive forms of employment, but were still concentrated in sectors of the market where conditions of work are poorest, particularly as “bank” staff provided by private agencies. The research findings on Zimbabwean migrants and the care sector have been published in the Journal of Ethnic and Migration Studies (Volume 33, Issue 5 July 2007) as “Joining the BBC (British Bottom Cleaners)”: Zimbabwean Migrants and the UK Care Industry. The findings on Zimbabwean nurses and teachers have been published in Geographical Paper No. 178 of the University of Reading (http://www.reading.ac.uk/web/FILES/geog/GP178.pdf).

10. As part of the ESRC’s research programme “One Europe or Several? The Dynamics of Change Across Europe”, Dr Matloob Piracha and Professor Roger Vickerman of the University of Kent carried out a study on “Borders, Migration and Labour Market Dynamics in a Changing Europe” between 1999–2001 (http://www.kent.ac.uk/economics/research/europe/ESRC-FullReport.pdf). Although this project was obviously carried out some time ago, and focused on a number of case study areas (in particular Albania and Greece), some of its findings are of interest in this context. One of the results of the analysis was that the effectiveness of migration in improving the efficiency of both home and host labour markets depends on the extent to which migrants with particular skills can be effectively matched with the labour market needs of potential employers.

FORTHCOMING ESRC FUNDED RESEARCH

11. “Migration and Population Change” is one of the ESRC’s key research challenges. A Research Centres competition with a steer towards population change is currently being commissioned. It is expected that a new Research Centre including work on migration will be announced in March 2008.

12. The ESRC’s Understanding Population Trends and Processes initiative (http://www.uptap.net) aims to improve understanding of demographic trends and processes which affect society and the population. Under this initiative it has recently been agreed to fund projects on “Understanding the Labour Market Impact of Immigration in Britain” and “What Happens When International Migrants Settle? Ethnic Group Population Trends and Projections for UK Local Areas under Alternative Scenarios”.

THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE 449
13. In addition, the ESRC expects to participate in a Transnational Research Programme on Migration with our partners in the New Opportunities for Research Funding Co-operation in Europe (NORFACE) network, commencing in 2008.

12 October 2007

Memorandum by FirstGroup plc

1. INTRODUCTION

FirstGroup has prepared this document in response to the “Call for Evidence” paper issued on 16 July 2007. As an organisation we have not studied or evaluated the larger impact of immigration on the UK economy, therefore, will not be able to comment on many of the points detailed for consideration.

We can provide comment and detail on the impact within First UK Bus.

2. BACKGROUND

First UK Bus has been involved in the employment of migrant workers as part of the normal recruitment process for many years. In 2003, however, we found ourselves with a significant shortage of around 800 drivers in the UK and despite many local recruitment activities we were having ongoing difficulty filling these vacancies. At this point we undertook a project investigating the possibility of recruitment from within the expanding European Union.

In May 2004, through various agencies set up for this purpose, we began deploying drivers from the EU into the UK. As the project evolved First UK Bus took over the recruitment process with a recruitment centre opened up specifically in Warsaw dealing with interviews, language training, driver assessments and checking of all documents such as references, driving licences, and criminal record checks. We felt it important to take over and manage the process to ensure fairness and consistency in migrant worker recruitment.

The process has further expanded to fill further vacancies such as cleaners and skilled engineers.

3. ECONOMIC IMPACT

3.1 In many parts of the UK, First UK Bus was facing serious issues in providing the required services within the local communities due to lack of drivers and, more recently, skilled engineers. Recruitment campaigns and working with Job Centre Plus were not providing the candidates required to fill the vacancies. If we had not ventured outside the UK for workers we would have been faced with the prospect of reducing the services provided for our passengers.

The point has been raised that it may be the case that in some areas low skilled workers are facing more competition for jobs due to migrant workers, but within First UK Bus we have depended upon the migrant workforce to fill our vacancies and expand the business. We continue to recruit within the UK and are active in partnership with Job Centre Plus as well as in direct advertising.

3.2 All of our recruits are employed on the same terms and conditions at each location irrespective of origin, although salaries may vary between geographical locations reflecting market rates for labour. This consistent approach ensures that there is no impact on the over all wage rates being paid in our industry.

3.3 All of the EU recruits employed through our recruitment process are supported by our welfare team who help them settle into the local community initially in rented accommodation. This is sourced for them for immediate entry on arrival to the UK. Once in the UK they pay taxes, become involved in the local community, contribute to the local economy and utilise services such as healthcare and schools as appropriate.

To ensure a balance of input (economic) and resource requirements (housing, healthcare, schools, benefits) it is vital that immigration is legal and monitored.

4. PROFILE OF OUR MIGRANT WORKERS

The Information we can provide for Migrant workers deployed into the business can only account for those tracked through our own recruitment process. For those who have settled in the UK independently who apply and become employed with us through the day to day recruitment processes we have little statistical information.
Numbers 1,400 people
Citizenship 90% Polish, 10% made up of other EU countries
Age profile
- 20–25: 8%
- 26–30: 23%
- 31–35: 15%
- 36–40: 25%
- 41–45: 27%
- 45–62: 2%
Sex
- Male: 97%
- Female: 3%
Marital status
- Single: 26%
- Married: 74%
Family joining
- In 1st year: 30%

5. Future Requirements

We are currently filling the majority of vacancies with local and EU recruits, however within the next 12 months we are predicting that we will need to have alternative resources of labour opened up to us. The restrictions on employing Bulgarian and Rumanian nationals as bus drive will have an impact on our ability to fulfil our vacancies in the future.

6. Outstanding Issues

For First UK Bus there are currently two main issues:
- The number of recruits available from the EU States able to work freely in the UK are reducing which will impact on our ability to fill many of our vacancies in the next 12 months.
- The ability to check documentation of migrant workers who are not recruited in their country of origin (out-with our recruitment process) is limited especially with our responsibility to provide the public with reliable and safe bus drivers (references, licences and criminal reference checks via the CRB)

7. Summary

From the direct experiences of First UK Bus, immigration has been an important tool in filling a vital gap in our labour force. There has been and still is a shortage of both skilled and unskilled workers in the transportation industry.

It is vital to maintain the supply of labour for the sustainability of a cost effective public transport industry. We are not displacing local labour as we will always recruit locally in the first instance and only look outside of the UK when we are sure that we cannot maintain our establishment from UK recruitment sources.

In our experience, immigration has had a positive impact on the economic stability and growth of our business and provided a community service to many areas.

28 September 2007

Memorandum by Ian Fitzgerald, Northumbria University

This submission is in response to a request from the Clerk to the Economic Affairs Committee for further information on migration to the North of England, with particular reference to skills. It is an individual rather than School or University response. The following comments are concerned with Polish migration and are based on nearly three years accrued knowledge of Polish migrant workers following a series of projects in the North of England that either I have undertaken myself or in one case been part of a research team.


Although, this work has not sort to specifically investigate the introduction of skilled Polish workers into the North of England I consider that it provides a context into which many skilled Polish workers have been introduced.

1. BACKGROUND

1.1 Before discussing Polish migration to the North it is worth again highlighting the importance of differentiation when discussing migrant groups. Not only within groups themselves, for example around social class, gender and age, but also between those like the Poles who are entitled to live and work in the UK with little restriction. In contrast to other migrant groups who are often recruited via work permits or are sometimes importantly undocumented within the labour market. It is also important to record that for a number of reasons, most notably the easily accessible transport links, the early signs are that the Poles are more transitory than many other prior groups of migrant workers (Fitzgerald, 2008). Finally, the point must be made that as with other early migrations to the UK Polish migration to the North is still developing, as communities establish themselves and newly arrived workers decide on what basis to remain and how secure they feel in their new surroundings.

1.2 Salt and Millar (2006) describe the entry of the EU accession eight (A8) workers, following May 2004, as the largest ever in-migration to the UK, with the Poles the largest ever single ethnic group. This migration took all by surprise and left many at a local level having to “fire-fight” the numerous issues that have arisen. Migration has been dramatic for many small towns and villages in the North, with the accession monitoring reports stating that the North has a larger number of registered A8 workers than are registered in London and the South East. Although, following a request through freedom of information it is clear that the North East has the lowest number of registered A8s in England (Fitzgerald, 2007a).

1.3 With an increasing number of Polish workers in the North issues become not only where people are living, for local service provision, but also where they are employed. A growing amount of research; the accession monitoring reports; and my northern studies highlight that this is often in low paid sectors such as food processing. It is also clear, though, that Polish workers are ubiquitous and are evident in other more skilled sectors and occupations, including even exploring the possibility of starting new UK businesses (see Banks of the Wear, 2007). Importantly, for some of those in lower skilled occupations, this may not be due to choice but more directly due to either a lack of information on higher skilled work (Fitzgerald, 2008) or more importantly a lack of language skills. In particular the Committee will also be aware that though there has been progression with the mapping of Polish and UK qualifications, this can still remain a barrier with job-to-job mobility. To begin to unpick this further the following section discusses the recruitment of Polish migrant workers in construction and food processing. It is clear, though, through discussions with key respondents at an international, national and regional level that these sector findings have some value when applied to the wider labour market.

2. RECRUITMENT OF POLISH WORKERS IN THE NORTH

2.1 Although, still not fully granted, one of the four main freedoms of the European Treaty is the right of mobility for European workers. As part of this the EU in 1993 created EURES to facilitate this movement and allow easier job-to-job mobility. This should have helped facilitate skill needs at a regional and local level with assistance given to both employers and European migrants. However, the reality found in the North of England was that two of the three EURES advisers present, noted limited or no engagement with the increasing number of Polish workers found in food processing. Further, one of these advisers admitted that his recruitment engagement with the overall numbers of A8 workers coming into his region had been limited (Fitzgerald, 2007b). At a recent Polish government launch of a report into the treatment of A8 migrant workers, an EU official spoke of the need to reinforce the role of EURES. In the North it seems that often freedom of movement has been exactly that, with limited co-ordination by government or other agencies in this process. So if EURES are not the main facilitators of mobility how have Polish workers found their jobs and how have companies managed their recruitment needs?

2.2 Fitzgerald (2007b) sort to explain this with regard to construction and food processing in the North East and North West. Whilst the mapping of job-to-job mobility was not the aim of the project, its findings with regard to recruitment have relevance to other sectors in which Poles are working. The project uncovered three main recruitment routes into employment: on-spec recruitment, direct company recruitment; and direct agency recruitment. With no identifiable differences between the introduction of skilled and unskilled labour.

2.3 On spec recruitment relates to Polish workers who have made the decision to migrate to the UK to work without a particular job being offered. This type of movement was identified as being prevalent in the early days of Polish accession migration. With Poles having a vague idea of where to go and what job to take, money was normally available for a short period to cope without a job. This was now reported as becoming more structured with the use of family and friend networks to identify both geographic and potential employment locations. Agencies and direct employers were also beginning to use currently employed family and friends to identify Polish based recruits when needed. The study indicates that in many cases if people use this route now without a definite job offer they are more likely to arrive in the UK with an idea of where to go and what to do (for example primed with information from either websites or through family and friends). Although information from these sources may be limited or simply incorrect. Further, with wages in Poland still up to five times lower than in the UK job-to-job mobility may not be people’s first requirement.

2.4 With direct company recruitment the study found that it was evident that employers are beginning to use a number of resources to try to source Polish labour directly. For example, there are numerous web pages and Polish based newspapers advertising UK jobs. It was reported that companies are moving away from using Polish and beginning to use English for advertisements. In Poland it was reported that job fairs were a common means of staff recruit. This was sometimes based on a particular trade, for example bus drivers who were recruited on mass with UK union collaboration due to local shortages (Fitzgerald 2005). In North West construction and both food processing sectors this was not noted as an overall main recruitment strategy. Although, in North East construction it was the main route into employment for many of the Polish workers encountered. Here the most worrying signs regarding skilled trades were evident. Sub contractors had directly recruited skilled workers from Poland and introduced them onto building sites at wages below the national industry (the Working Rule Agreement) and minimum wage level (Fitzgerald 2006). The trade unions were often found to be “policing” the skilled rate for the job, not only for the direct interests of members but also to contain the early signs of antagonism to the newly arrived groups of Polish workers. Ucatt also managed to assist some skilled Polish workers onto one main contractors core workforce with agreed rates of pay and conditions secured. This situation was also identified with regard to engineering construction skill rates (the National Agreement for the Engineering Construction Industry), which were again being undermined through the introduction by sub contractors of cheaper skilled workers from A8 countries (Fitzgerald, 2008). Here a union, in collaboration with the employer, has introduced a limited strategy of wage transparency to maintain the skilled rates.

2.5 The final direct agency recruitment route was identified as the most prevalent. Here agencies are either directly employing Poles and then moving them from workplace to workplace as required (dominant in food processing); or provided a supply service for UK companies, with recipient companies becoming the final employer of Poles. A representative of the British Polish Chamber of Commerce (BPCC) in Poland noted that agencies had now become their largest single member group in Poland. The President of the Federation of Poles in Great Britain also highlighted the significance of agencies for UK recruitment in general and this view was echoed by a number of Polish regional respondents. Agencies have committed some of the worst excesses of abuse of Polish workers and the BPCC representative stated that they were working with EURES in Poland to identify the worst perpetrators. In construction in the North West agencies provided the sole route identified for both skilled and unskilled labour. Whilst in food processing they again provided the main route in both regions for mainly low skilled Polish workers.

3. Discussion

3.1 The rapid entry of Polish workers into the UK following their accession in May 2004 caught everyone by surprise. Often these workers came either “on spec” or through fraudulent agencies and were left destitute and/ or exploited with the worst excesses of a free market not uncommon and in some cases still remaining. From the Polish point of view this situation has improved with support networks forming, most notably around the web, the church, and through local UK activist from the traditional Polish community (Fitzgerald 2008). Local NGOs (eg Citizens Advice Bureau), trade unions and some local councils have engaged with the new entrants and provided valuable assistance. What was absent here was any form of government co-ordination at a local, regional or national level. In my opinion the migration is now consolidating with children and families arriving and employers and businesses (banks and other private service providers) all coming to terms
and adapting to change. When we talk of Polish workers and skills, in many cases this must be considered within the wider context of this overall story of recent EU accession migration.

3.2 Given the above it is clearly evident that a choice has to be made by UK Government and its agencies on how far to engage with this continued EU accession migration and its operation within a free European market. Often when we discuss skills, we discuss the short-term or crisis management of skill needs. For example, in construction large subcontractors are under heavy financial pressures to deliver contracts on time. They in turn need skills, often on a project by project basis and due to this a geographically mobile UK and European construction workforce has emerged. However, in the North the evidence suggests that in recent years a new phenomenon has been introduced into this of not only posted workers32 on Polish conditions of service but also the open recruitment of teams of skilled workers paid below industry and minimum wage levels. This may initially not create issues for Polish or other A8 workers, and the contracts that they work on may be delivered on time, but it most certainly creates issues on building sites and in local communities with indigenous workers who feel threatened. There are real concerns here that wages and conditions will reduce if this becomes increasingly the norm. Trade union officials in food processing and transport have reported that this has started to occur and even spoke of indigenous workers being replaced by cheaper A8 workers (see Fitzgerald 2007b). If skilled Polish workers are to continue working in the UK then co-ordination led by Government is needed, with properly policed regulations.

3.3 A choice also exists for Government with regard to those Polish workers currently working in occupations below their current capabilities, training and qualifications. One of the most significant contributions that the trade union movement has made in supporting people to reach their full potential, assisting the skill needs of the labour market, is through the provision of union learning representatives (ULRs). Funded by government, and often supported by employers, ULRs have encouraged and supported many to begin to develop not only their skills in the workplace but also to take the first steps into further and higher education. ULRs have often used this experience to support Polish workers when they have come into workplaces and communities. Here in particular Poles have learnt English, often through Esol classes. However, these classes, frequently free to migrant workers, are now being withdrawn, and are unlikely to be further supported as Esol provision often does not equate to enrolments on National Qualification Framework (NQF) courses33. This situation should be addressed as language can be an issue holding back many Polish workers from making an increasing contribution to the UK economy. If there is Government supported co-ordination then many Poles currently working in unskilled UK jobs can progress and make a fuller contribution to UK skill needs and our overall economy. Government may believe that the real issue here is the cost effectiveness of supporting transitory Polish workers. But if we do not adopt a co-ordinated approach are we to “brush this migration under the carpet” with another opportunity missed, it should be remembered that the mobility of European workers is likely to continue and surely there is no going back.

26 November 2007

Memorandum by Dr Steve French, Centre for Industrial Relations, Keele University

1. The context of the submission

The submission to the Economic Affairs Committee is based upon three research projects that the author has undertaken into the impact of migration on the labour market of North Staffordshire and, more recently, South Cheshire. The research projects were funded by small grants the Low Pay Commission, the Nuffield Foundation and the Unity trade union.

Why research in North Staffordshire?

While it is problematic to generalise from the findings from such geographically restricted research, it can be argued that this research makes a valuable contribution to the growing body of literature on migration. The reasons for this lie with the area under consideration, its economic structure, its migrant population and the political context.

North Staffordshire has undergone profound economic changes in the last 25 years. Traditional industries such as coal mining and steel production have disappeared, while large employers such as the pottery firms and Michelin have restructured or re-located production work, with significant reductions in employment. To

32 The Posted Workers Directive has caused much debate but has been used here to bring over A8 workers, all of whom have been paid below the industry skilled rates and some below even the minimum wage (see Fitzgerald 2008)
a large extent these relatively low-waged unionised jobs have been replaced by equally low-paying, non-
unionised retail, distribution and call centre work, with trends toward unsocial hours and non-standard
contracts of employment. In addition, the rural economy surrounding Stoke-on-Trent means that agricultural
and food processing industries, identified as prime industries for the employment of migrant labour, also fall
into the North Staffordshire labour market.

A wide range of statistical indicators highlight the relative levels of deprivation within the principal urban
conurbation in North Staffordshire, Stoke-on-Trent, notably in terms of education, training and development
(7th most deprived local authority in England), health deprivation and disability (12th) and employment (21st)
(English Indices of Deprivation, 2004). The labour market profile of Stoke-on-Trent (Nomis, 2006) highlights
the problems facing the regeneration of the area and raises a number of important questions about the
potential utilisation of migrant labour. The occupational structure of the city reflects a lack of highly skilled
employment. While the proportion of workers in the top three occupational groups for Great Britain is 52.1%,
only 27.7% of employment in Stoke-on-Trent is within these occupations.

The industrial structure of the economy is reflected in the high proportion of skilled manual workers, but
employment in the city is disproportionately located within lower skilled occupations. While 36.3% of
employment in Stoke-on-Trent is in the bottom three occupational groups, this accounts for only 26.3% of
employment nationally.

While the unemployment rate in 2006, at 5.1%, lay marginally below the regional (5.5%) and national (5.3%)
levels, the proportion of economically active (26.7%) was considerably higher than the regional (22.7%) and
national (21.4%) levels. The most notable geographical variation lies in workplace earnings. The median
earnings of full-time workers (gross weekly pay) in 2006 were £361.70 in Stoke-on-Trent, compared with
£421.4 in the West Midlands and £449.60 nationally (Nomis, 2006—based upon annual survey of hours and
earnings by workplace).

Finally it should be noted that the city of Stoke-on-Trent has a very low level of qualification rates among
those of working age, as indicated by table 1 below.

<table>
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<td><strong>QUALIFICATIONS (JANUARY 2006–DECEMBER 2006)</strong></td>
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<td>---------------------------------</td>
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<tr>
<td><strong>Stoke on Trent</strong></td>
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<td>(%)</td>
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<td>NVQ4 and above</td>
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<td>NVQ3 and above</td>
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<td>NVQ2 and above</td>
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<tr>
<td>NVQ1 and above</td>
</tr>
<tr>
<td>Other qualifications</td>
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<tr>
<td>No qualifications</td>
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*Source: ONS annual population survey*

*Notes: For an explanation of the qualification levels see the definitions section. Numbers and % are for those of working age.
% is a proportion of total working age population.*

It is against this economic and labour market background that asylum, immigration and migration have
become extremely sensitive topics. North Staffordshire has traditionally been relatively homogeneous in terms
of resident population, with a population structure that was overwhelmingly white and British and
disproportionately concentrated in lower income and occupational groups. However, the last decade has seen
a noticeable increase in other ethnic groups residing within the area. The 2001 Census indicates that the
population of Stoke-on-Trent is 93.58% white British, with members of the Asian or Asian British ethnic
group constituting the largest minority ethnic group (3.53%). Almost three-quarters of this ethnic group
residing in the city are Pakistani in origin. This ethnic population is also heavily concentrated, with British
Asians constituting 35.9% and 21% of the populations of the Cobridge and Shelton areas respectively.
The growth of the black and minority ethnic (BME) communities within the city has been associated with growing tensions. However, it has been the arrival of asylum seekers into the area since 1999 that has led to the most publicized debates among, and general hostility from, the white, British population. The increase in the number of asylum seekers housed in the city (peaking at 1,200 within Stoke-on-Trent in the last quarter of 2002, equivalent to 0.5% of the city’s population) has generated a number of negative stories about asylum seekers. These have formed the basis of successful British National Party (BNP) campaigns. Indeed, the far-right party has campaigned almost exclusively upon asylum issues in the city, achieving sizeable votes in the 2002 and 2005 Mayoral Elections, and currently holds five council seats.

The increasing antipathy towards, and harassment of, asylum seekers, refugees and members of established ethnic minorities has been documented by the Partnership Approach to Racial Incidents in North Staffordshire (PARINS).

A final, but equally significant, development has been reports of the recruitment of migrant workers into the area since 1999. Local media have reported the direct recruitment of migrant labour from outside of the European Union into the local health service (e.g. Filipino, Indian and Fijian nurses), and there have been numerous reports of employers seeking to recruit workers from the EU accession states since 2004 (for example, Czech and Polish workers at the local bus company First PMT; Slovenian workers at Alton Towers; Polish workers at the pottery firm Wood & Sons and Polish dentists). In addition to these groups of recent migrant workers, there is clearly potential for the employment of students from outside the European Union given the location of Keele and Staffordshire Universities within North Staffordshire. Again, there have been criticisms of such policies, in relation to the impact on regional unemployment rates, fears that the employment of such workers will be used to undercut existing pay and conditions (The Sentinel, 2005a) and fears of further racism and xenophobia (The Sentinel, 2005b).

In summary, the North Staffordshire labour market presents an interesting case study for a number of reasons. Firstly, the North Staffordshire labour market contains a relatively wide range of (low-skilled) employment in industrial, distribution, customer service and agriculture or food processing sectors. While there is potentially a high demand for migrants to address skilled labour market shortages—derived from the low skill and qualification levels of the local population—the occupational structure of the area and its relatively high unemployment rate suggest that there may also be scope for employment substitution of indigenous workers by new arrivals.

Secondly, there is evidence of a number of different groups of new arrivals migrating into the area. This allows an examination of the utilisation of a range of different migrant workers, with different legal status, language and employment-related skills, and crucially allows an examination of possible substitution effects between different groups of migrant workers. Thirdly, the economic factors that characterise the local labour markets and the use of migrant labour cannot be divorced from the political environment and its influence upon the perceptions and decisions of local employers and workers. These range from the reporting of issues relating to ethnic minorities and asylum in local media, to the campaigning of the BNP and to important political developments such as the ongoing cutbacks and redundancies within the NHS.

As a result, the research has been able to address areas which have not been examined by other research, notably research focused upon an industrial setting rather than in the agricultural or hospitality sectors, research outside of the South East, and crucially, research which focuses upon the interaction between different groups of migrant workers.

The research undertaken

The main objectives of the research in each of the three research projects were to discover the reasons why migrant workers were being employed in the area; to analyse the terms and conditions of migrant workers and their experiences of work; and to examine whether the utilisation of migrant labour was leading to competition between indigenous workers and migrant workers.

The fieldwork research undertaken applied a range of research methods to generate evidence about the use of migrant workers and their own experiences. The research activities can be broadly characterised under two headings. The first stage was based upon documentary searches (particularly of local media) and interviews with representatives from organisations that have direct contact with migrant workers to map the use of migrant labour in North Staffordshire. The second stage focused upon small-scale surveys and interviews with representatives of organisations employing migrant workers and a selection of migrant workers from across different economic sections and from different communities that make up the new arrivals.
The economic impact of immigration: evidence

The mapping exercise focused upon analysis of the allocation of National Insurance numbers to foreign-born workers and the Worker Registration Scheme data available for Stoke-on-Trent. The initial interviews with local agencies and a search of local media (which formed the basis of this and the LPC project) provided additional information about a number of firms where migrant workers were employed and some indication of the problems which these workers face.

As a result, the researchers initially identified 23 companies where they sought to conduct interviews with managers and migrant workers. As reflected in other research into migrant workers, access to employers did prove to be difficult to secure. While the researchers were able to interview 13 employers from these 23 companies, interviews were only possible with six further employers subsequently. Of these 19 companies, seven were employment agencies. In addition to this a small-scale survey of 78 HR and Personnel managers was conducted through the local CIPD branch.

While some agencies were prepared to provide limited access to migrant workers in their employ, in most cases it was impossible to facilitate interviews directly with migrant workers in firms studied. Consequently, access to migrant workers was secured through a number of other routes, through the local college (ESOL classes), Stoke-on-Trent CAB, the Unity trade union, the local Polish Association in Longton, and through contacts established by the four interpreters employed on the project. Initially, new arrivals were asked to complete a brief one-page questionnaire (available in English, Polish, Czech, Slovak and Russian) which focused upon basic personal employment, accommodation and benefit data, and to provide contact details if they were prepared to be interviewed. In total, 86 surveys were completed by new arrivals working, predominantly from Polish workers.34

In total 63 migrant workers were interviewed. Interviewees lasted between 15 and 60 minutes and were conducted by the researchers using interpreters. In total, 37 Polish workers, 16 Czech and Slovak workers and 10 refugee and asylum seekers were interviewed.

2. What are the numbers and characteristics of recent immigration? How do the characteristics of EU migrants differ from other migrant groups?

Firstly, it should be noted that the data available that seeks to count the numbers of recent migrants (the Worker Registration Scheme and National insurance number data) is not robust. In respect of WRS data there are potential issues as to whether A8 migrant workers do actually register and maintain their documentation up-to-date. The data cannot account for migrant workers who subsequently leave the UK, nor can it pick up information about those family members of A8 migrant who come to the UK. There is also the question of accounting for workers who have completed their year of work in the UK and gain residence and access to benefits. It is not clear how, if at all, these workers are monitored, notably in terms of where they might subsequently end up working and living. The Nino data is also problematic, as it cannot deal with labour mobility and again is restricted to those seeking employment.

Crewe and Nantwich Borough Council have, therefore, sought to establish new sources of data to account for the primarily Polish, migrant population in the borough, using data from recruitment agencies, GP lists and data from social services and data from the LEA. The council argues that this provides a more accurate picture of migration into the borough and helps in the allocation of resources.

Nevertheless, using the data available, the following picture emerges for North Staffordshire and Crewe and Nantwich.

WRS data for end Q1 2006 indicated that 2534 applications had been made in Staffordshire of which 1525 originated in Stoke on Trent and 155 in Newcastle. Table 2 provides a breakdown of WRS applications by nationality. The applications from A8 workers were allocated as follows.

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34 A further 30 surveys from Polish workers in and around Crewe have yet to be analysed.
Nino data provides a better picture of the relationship between A8 workers and those from other nationalities, highlighting the need to consider a wide range of migrant groups and the interaction between such groups. Table 3 below outlines the Nino data for Stoke-on-Trent and Crewe & Nantwich between 2002–06 (2002 being the first date when data on the NI applications from foreign nationals was collected).

Table 3

<table>
<thead>
<tr>
<th>Stoke on Trent</th>
<th>n</th>
<th>%</th>
<th>Crewe and Nantwich</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>630</td>
<td>10.9</td>
<td>Poland</td>
<td>1,430</td>
<td>55.0</td>
</tr>
<tr>
<td>India</td>
<td>560</td>
<td>9.7</td>
<td>Portugal</td>
<td>190</td>
<td>7.3</td>
</tr>
<tr>
<td>Poland</td>
<td>550</td>
<td>9.5</td>
<td>India</td>
<td>120</td>
<td>4.6</td>
</tr>
<tr>
<td>Iraq</td>
<td>550</td>
<td>9.5</td>
<td>South Africa</td>
<td>90</td>
<td>3.5</td>
</tr>
<tr>
<td>Philippines</td>
<td>410</td>
<td>7.1</td>
<td>China</td>
<td>70</td>
<td>2.7</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>280</td>
<td>4.8</td>
<td>Slovak Republic</td>
<td>70</td>
<td>2.7</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>190</td>
<td>3.3</td>
<td>Germany</td>
<td>50</td>
<td>1.9</td>
</tr>
<tr>
<td>China</td>
<td>190</td>
<td>3.3</td>
<td>Philippines</td>
<td>50</td>
<td>1.9</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>170</td>
<td>2.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,790</td>
<td></td>
<td><strong>Total</strong></td>
<td>2,600</td>
<td></td>
</tr>
</tbody>
</table>

The data indicate the different migration patterns to the two neighbouring conurbations. While migration into Crewe and Nantwich has been dominated by Polish migrant workers, the picture for Stoke-on-Trent is more mixed, reflecting, in part, families joining settled BME communities, a larger international student body, direct recruitment into the NHS to address shortages, the settlement of refugees in the city, and the recent migration of Polish and Slovak workers.

3. **In what sectors and occupations are migrants employed—How does this differ from local workers?**

The CIPD survey of local employers indicated that migrant workers from different groups were employed across economic sectors (as illustrated by Table 4 below). However, notwithstanding the direct recruitment of workers into the NHS, the majority of migrant workers in North Staffordshire appear to be concentrated in industrial sectors. The survey of 86 migrant workers, attracting responses from a wide range of access points, indicated that close to 70% of workers in food processing, manufacturing and warehousing, logistics and transport.
Two further findings emerge from the surveys and the interviews conducted with employers and migrant workers. Firstly, there would appear to be a degree of labour market segmentation, with migrant workers (notably refugees and A8 workers) finding it hard to acquire jobs that reflect their qualifications, skills and experienced gained in their country of origin. While language might be an explanatory factor here, this would appear to be the case for those fluent in English too, highlighting perceptions amongst local employers of which jobs are “migrant jobs”.

Secondly, it is clear that the use of migrants have been used, in part, to address labour shortages. However, there is a picture emerging from the research which suggests that A8 migrant workers are being recruited in place of refugees, and to a lesser extent indigenous workers. This reflects the prevalent idea amongst employers that A8 workers are generally more reliable and productive than indigenous workers, easier to employ that refugees (in terms of questions of legality) and less militant that other groups of migrant. The extent to which job competition exists is reflected in the economic structure and qualification levels outlined above.

### Table 4

<table>
<thead>
<tr>
<th>Sector</th>
<th>EU Accession Migrants</th>
<th>EU Refugees &amp; Asylum Seekers</th>
<th>Outside EU</th>
<th>Foreign Students</th>
<th>Total Firms employing migrant workers</th>
<th>Total Firms surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>78</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Education</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Health</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Financial &amp; Legal</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td></td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Local/Central Government</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>ITC</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Transport &amp; Distribution</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Hospitality</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>More than one sector</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>27</td>
<td>12</td>
<td>29</td>
<td>42</td>
<td>78</td>
</tr>
</tbody>
</table>

One disturbing finding of the research to emerge relates to the future training and employment of young workers. Interviews with employers that utilised skilled workers, indicates a willingness to recruit skilled, and comparatively cheap, workers directly from abroad, rather than invest time and money in training young indigenous workers. The most recent NEET (not in education employment or training) data for Crewe and Nantwich would appear to provide an early indication of a more wide-ranging application of such strategies.

4. **What impact has immigration had on the labour market, including wages, unemployment and working conditions of the UK Workforce? Does the impact differ between skilled and unskilled workers?**

The research conducted for the Low Pay Commission found little evidence of widespread contravention of the National Minimum Wage, and this has been a finding that has been confirmed by the subsequent research. Nevertheless, that should not hide the fact that employers, notably agencies have used deductions from salary for a variety of reasons, notably, accommodation to significantly reduce the pay of migrant workers. The following case, which was supported by contractual information highlights the worse forms of exploitation possible.

The final EU accession worker interviewed was an unskilled Polish male worker who had arrived in the UK in 2005. He had migrated to the UK because he believed that there were few opportunities in Poland for him, notably in his region of Poland that was characterised by high levels of structural unemployment. He had
arrived in Staffordshire because he had been offered work through an international agency. He had paid a total of £450 to the agency to cover flights, a deposit and the WRS. This money he had borrowed from friends in Poland.

He was initially employed by the agency in the same mobile phone repair company that the previous two Polish workers had worked at for one day. He worked a 60-hour week on a production line that was completely populated by migrant workers, mainly EU accession workers. He signed an opt out from the 48 hour working week and was guaranteed a net payment of £4.50 an hour for the first 40 hours of the job, with the rest paid at a net overtime rate of £5.25. His contract, which he provided to the researchers, indicated that the net pay rates were those payable to the worker after tax and national insurance, and also after the agency had deducted expenses incurred ‘by virtue of your choice of having [the Agency] facilitate your accommodation and transportation to and from work during your assignment.’ The agency also deducted £50 from the first month’s wages as a deposit for staying in the accommodation.

The subsequent experiences of the worker highlight the possibility for exploitation of migrant workers. He was housed in accommodation within walking distance of the firm where he worked, yet he still had to pay transport costs (although none was provided). Four workers were housed in a two-bedroom house and were forced to share a bed, for which they each paid £70.00 per week rent. Within the factory he did not receive proper training and the agency employed a liaison supervisor, whose job was effectively to act as a gatekeeper between the migrant workers and the British line management. Given the different nationalities of migrant workers in the plant, the supervisor was unable to support many of the workers employed there.

The worker was befriended by a local family and he tried to examine some of his terms and conditions in more detail. He had been advised by the agency supervisor to throw away any letters from the Inland Revenue and following his request about obtaining a national insurance number, he was immediately relocated to another mobile phone repair company in Banbury and threatened with the sack if he did not move immediately. When his British friends tracked him down to Banbury, he was relocated to Essex to work as a picker in a warehouse. At this time his contract was revised (and back dated) with the net pay rates had reduced to £3.50 per hour and the overtime rate to £4.25. Again he provided evidence of the contractual changes. In addition, he claims that the hours threshold for overtime payments was also increased. He was also charged for damage to the property in which he was housed in Essex, although it had been in that state of disrepair on his arrival.

At this stage he decided to leave the agency, losing his housing, and also the return flight that he had paid the agency for before departing for the UK, due to breach of contract. He returned to North Staffordshire and was able to gain direct employment with the same mobile repair company. Before being offered employment, the worker claims that employers checked a blacklist provided by the agency, but fortunately, they had mis-spelt his name on this list and he was offered a post. He moved to a second production line within the same workplace which contained a few British workers and a range of migrant workers from outside of the EU. He also moved into private accommodation.

It was quite clear that the worker had little, if any, knowledge of his employment rights, despite support from the local family. The workplace was non-unionised, and he had no knowledge of trade unions, he received no support from the agency and had, on one occasion, approached the police about non-payment of the minimum wage, who advised him to refer the case to the Inland Revenue. (French and Mührke, 2006: 56-7)

While the direct accommodation of migrant workers by employers appears to be declining, reducing some scope for deductions, it is clear from the interviews conducted with migrant workers that few, if any, have anything more than a rudimentary knowledge of their rights. Informal discussions with fellow migrant, “gut feelings” and past experience in their home country seem to be the main guides for A8 workers, who usually work for agencies in non-unionised organisations. Thus, the true extent to which migrant workers’ terms and conditions are being under-cut is unclear.

It is also difficult to ascertain from our research methods the extent to which migrant workers have impacted upon pay levels, as employers have been unwilling to discuss pay interviews. Nevertheless, recent interviews with agencies indicate that there is an expectation that profit rates will fall as employers seek to use the supply of migrant labour in the local labour markets to hold down the payments made to agencies subsequent to the rise latest rise in the National Minimum Wage. More importantly, there is evidence that migrant workers are utilised by employers for unsocial, shift work, often without receiving additional premia, while a proportion of the migrant workers surveyed also work, apparently voluntarily, a working week in excess of 48.

In summary, therefore, there is some limited evidence from the research into this area, that migrant workers have altered the operation of the labour market. Employers appear to be capitalising upon the perceived reliability and hard-working nature of A8 migrant workers. Given the general expansion of work in the area through the establishment, in particular, of distribution centres, and given labour market churning, it is unclear of the impact upon employment, though there is some evidence to suggest the substitution of refugees
and some indigenous workers. In terms of pay, that would not appear to be widespread undercutting of the National Minimum Wage by employers, and it is frequently in NMW sectors that a large proportion of migrant workers are employed in this area. However, it is uncertain whether improvements in productivity are being achieved exclusively by a more reliable, and possibly higher skilled, workforce of A8 workers determined to maximise income (less absence, longer working hours), or whether such gains are achieved by holding down wage levels and utilising migrant workers for unpaid unsocial work. Given the unwillingness of employers to discuss these issues, and the lack of knowledge of migrant workers, the methods used in this study cannot produce a conclusive answer, although it is clear that some employers have sort to reduce unit labour costs through the latter approach.

5. How has immigration affected public services such as health care, education and social housing? How does this differ across the country?

These issues are only beginning to be addressed in North Staffordshire. In Crewe and Nantwich, the council have acted as a lead organisation in promoting the integration of polish migrants, establishing a local Polish Associations and co-ordinating information provision about local services. It would appear that the age profile of the Polish population means that they are less reliant upon the health system, though maternity provision is an increasing issues, but that the main problem has been the provision of support in the school system.

A recent report on the housing of A8 workers in North Staffordshire, commissioned by Renew, is due out shortly.

It is also important to highlight that the responsibilities for migrant workers may be shard across authorities, especially where migrants are employed in food processing sectors. In one case, we found primarily Slovakian workers housed in Stoke-on-Trent, while employed by an agency in Newcastle-under-Lyme, and bussed out to Market Drayton, Winsford and Wrexham to work. With long working hours, and the complexity of

6. How can data on immigration be improved? How far have “inadequate data” affected public policy?

See the answer in relation to Crewe and Nantwich above (point 2). It is clear that an underestimation of the numbers of migrant workers has budgetary implications for local authorities as well as impacting upon the provision of services. However, it is also the case that the freedom of movement enjoyed by A8 workers (compared to other categories of migrant workers employed on different work schemes) means that planning such service provision is difficult, irrespective of data. In Crewe the recruitment activities of one agency effectively changed the population profile of the town with direct recruitment of Portuguese and subsequently Polish migrants.

8 October 2007

Memorandum by the Learning and Skills Council

1. Introduction

1.1 The Learning and Skills Council (LSC) is a Government-funded public body that exists to improve the skills of young people and adults in England, in the interests of having a workforce of world-class standards. We are responsible for planning and funding high-quality education and training for everyone over 16 (except higher education) in England, including provision in school sixth forms. The range of qualifications and programmes that the LSC funds is diverse, and includes AS and A-levels, Advanced Vocational Certificates in Education (AVCEs), National Vocational Qualifications (NVQs) and Apprenticeships.

1.2 This submission responds to lines of enquiry upon which the work and experience of the LSC can provide evidence of use to the committee.
2. **Response To Call For Evidence:**

2.1 **Section 2: In what sectors and occupations are immigrants employed? How do migrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers? What determines migrants’ performance and integration in the UK labour market?**

2.1.1 The labour market outcomes of migrants vary massively from one group to another. For instance, very low employment rates are recorded for immigrants from some countries such as Somalia, Angola, Iran, Albania and Ethiopia. Research has also in the past identified differences between white and non-white immigrants, with the former demonstrating participation rates similar to those of the UK-born white population while the latter have historically had much lower participation rates and been much more vulnerable to changes in the economic cycle.

2.1.2 This research also suggests that there are cases where the second generation of immigrant families have higher rates of participation in the labour market than newly arrived migrants (Dustmann et al., 2003). Other research suggests that the employment rate of white immigrants may be higher because they are from English-speaking and industrialised countries with relatively high rates of employment for immigrants from Australia and North America but lower employment rates from non-EU countries in Western Europe. Inactivity is relatively pronounced among women from non-EU west European countries and the Indian sub-continent (Haque, 2002: 17).

2.1.3 Contemporary analysis of more recent migrants to the UK from the A8 countries shows rapidly increasing employment rates during the period since accession. For instance, in summer 2003, the employment rate for A8 migrants was 57.3%, below that of non-migrants and the migrant average. By summer 2005, this had risen to 80.6%. It is argued that this reflects both a decrease in illegal working and the motivations of A8 migrants as being work related.

2.1.4 Migrants are more likely to be employed in the service sector than are the UK born, regardless of country of origin (Haque, 2002:). Using relatively recent LFS data, the Institute for Public Policy Research (IPPR) suggests that migrants are disproportionately represented in banking, finance and insurance and distribution, and hotels and catering when compared with the UK-born population (IPPR, 2005: 5–6). However, again, migrants are not a homogeneous group. For instance, there are variations in industrial sector of employment according to country of origin. Thus, those from the Indian sub-continent and the rest of Asia are concentrated in distribution, hotels and catering, while those from Australasia are concentrated in financial and business services (Haque, 2002: 19). Migrants from African states tend to cluster in transport and communications industries (Salt, 2005: 43).

2.1.5 Research on the industrial distribution of A8 migrants shows that they are most commonly found in distribution, hotels and catering, manufacturing and agriculture. However, this varies between regions, reflecting the regional prominence of different sectors. For instance, in London, the majority of A8 migrants are registered to work in distribution, and hotels and catering, while in more rural areas such as Kent, the Marches, Norfolk, Lincolnshire and Cambridgeshire, the majority are registered to work in primary and agricultural industries (Gilpin et al., 2006: 20–1; Salt, 2005: 45). Generally, the impact of A8 migration is increasing the proportion of migrant workers in lower skilled employment (Gilpin et al., 2006: 20–1).

2.1.6 Data on the levels of pay of migrant workers suggests that they are relatively over-represented when compared with UK-born workers in the highest pay brackets and also in some of the lower pay brackets (IPPR, 2005: 5–6), possibly reflecting the skills profile documented below (see paras 34–8). Generally, migrants have been thought to earn more than their UK-born counterparts, a finding that held when compared at different skills levels. That is, a UK-born degree holder was thought to earn less than a migrant worker with comparable qualifications (Haque, 2002: 21–2). However, the data can be confusing in aggregate form. For instance, other research compares the ethnicity of migrants and suggests that while white immigrants tend to have relatively high earnings when compared with both non-white immigrants and UK-born workers, the earnings of some non-white (particularly Bangladeshi and Pakistani) immigrants are much lower (Dustmann et al., 2003: 47–8). In addition, analysis of earnings data for A8 migrants on the WRS scheme suggests that their average earnings are somewhat between 47 and 63% of UK average earnings (Gilpin et al., 2006: 20–1). Should current A8 migration trends continue, the average pay of migrants may reduce significantly. This is despite the relatively high level of skills held by many of these migrants.
2.1.7 Some factors might include skills deficiencies for some migrant groups, difficulties in gaining recognition for qualifications, cultural barriers (especially for women from some migrant countries) and labour market discrimination. Several research studies suggest that language proficiency is one of the major determinants of labour market success both in terms of participation rates and also wage gaps (Dustmann et al., 2003: 56–7; Institute for Employment Studies, 2004). The Institute for Employment Research suggests that the barriers faced by migrants include a lack of understanding of the labour market and the job-search process and a lack of appropriate work experience (Green et al., 2006: 17).

2.2 Section 3. Why do employers want to hire immigrants? Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why? What is the impact of immigration on mechanisation and investment in technical change? What are the alternatives to immigration to reduce labour shortages?

2.2.1 The LSC commissioned some research to examine why employers hire immigrants. The research considered the views and practices of employers towards migrants (Directions Research and Marketing, 2006). It found three main types of employer attitude in relation to employing migrants. These were negative “reluctants”, dispassionate “pragmatists”, who focused simply on the potential contribution from migrants and issues of cost, and finally “advocates”, who were extremely positive.

2.2.2 This research was focused on employers who were employing migrants performing relatively low-skilled roles. It found that while employers recruited migrants because they could not source UK-born staff, this was not necessarily because of skills deficiencies but because of crucial differences in work orientation and attitude. Migrants were reported to be:

- eager to please, more determined to succeed, reliable and punctual, courteous and polite, obedient and respectful of authority and able to work flexible and longer hours as they often have fewer social or familial commitments. Directions Research and Marketing, 2006: 16

2.2.3 These employers did not think that there were skills or training needs associated with employing migrants, other than in relation to English language skills, and skills and knowledge associated with settling in a new country, for example in relation to culture, the tax, benefits and public service systems, health and safety, and basic office and computer skills.

2.3 Section 9. How has immigration affected public services such as health care, education and social housing? How has this varied across the country? (and) Section 10. How does the impact of immigration vary across different regions of the UK?

2.3.1 It is clear that different types of migrant may require different types of skills provision in terms of the subject area, the level of provision, the method of accessing it, and also, potentially, the provider of education and training. There are also differences according to whether or not migrants are already in employment and, if so, the nature of their employer. For instance, some migrants, such as those entering the UK through the Highly Skilled Migrant Programme, may be relatively well qualified already and using these skills in high-level work, thus requiring little public intervention to provide training.

2.3.2 On the other hand, other groups clearly require significant public intervention to enable them to overcome structural barriers to labour market participation, most notably cultural acclimatisation and awareness and English language skills. Indeed, overcoming these barriers is an important first step in accessing training and education provision (Green et al., 2005: 17). Those in work will require flexible means of access. The transitory nature of some migrants suggests the need for transferable and flexible awards. Research on refugee needs suggests that the nature of the provider is a factor, with the role of nongovernmental organisations (NGOs) and refugee and diaspora networks being important in facilitating access (Green et al., 2005: 18).

2.3.3 There may also be a need for some education and training of employers in relation to the comparability of overseas qualifications to ensure that migrant workers are not disbarred from the labour market on the grounds of misunderstanding.

2.3.4 Research also suggests that information, advice and guidance (IAG) is important in facilitating access to both training and education and also to the labour market itself, with many migrants not understanding how the labour market works or what labour market and vacancy information is available and from where (LSC, 2006b: 4).
2.3.5 In other, more specific cases, such as in relation to migrants from A8 countries, some migrants are clearly working in roles that do not utilise all their skills. This suggests that IAG on life and labour market skills such as job-search and the operation of the labour market might help to raise aggregate productivity by making better use of these skills. However, consideration would need to be given to understanding the impacts that this might have in relation to wages, competition and displacement in other parts of the labour market. More research would be needed into the specific skills, qualifications and aspirations of A8 migrants, the barriers to their undertaking work more suited to their level of qualifications and how this meets the needs of the UK labour market.

3. ESOL Provision

3.1 The LSC commissioned research on ESOL provision. This research recognises that there are distinct groups of migrants with differing needs in terms of access to ESOL provision, such as asylum seekers needing help with integration, foreign-born citizens seeking citizenship and migrant workers seeking English language competency for work-permit purposes. The KPMG study reveals that there were nearly 500,000 ESOL learners in 2004–05 enrolled at FE colleges. Taking into account the large proportion of part-time learners in this group, this equated to just over 215,000 full-time equivalent (FTE) learners. Of the FTE ESOL learners, 15% were asylum seekers.

3.2 The study shows that provision is greatest in London, which is in line with the needs of the migrant population. However, across the board there are challenges associated with the proportion of enrolments that are on National Qualification Framework (NQF) courses and that count towards the Public Service Agreement (PSA) targets, and therefore are a priority for public funding, and those that are not. This is again highest in London but even there is only 13% and 7% respectively. In many other regions, including the regions where new migrant flows are also concentrated (such as the South East, East of England and Yorkshire and the Humber), the proportion of ESOL enrolments that are on NQF courses and that count towards PSA targets is minimal.

3.3 Since this research was carried out, Skills for Life policy has moved provision heavily towards NQF qualifications. The Learning and Skills Council expects 80% of publicly funded Skills for Life provision (including ESOL) to be NQF qualifications.

3.4 It is also important to note that a large proportion of Asylum Seekers have their applications rejected after a relatively short period of time, thus making them unsuitable for enrolment onto longer, nationally approved qualifications. The Government and the Learning and Skills Council are keen to ensure that public funds are invested on those who will remain in the country for longer periods of time. As a result changes have been introduced for the 07/08 academic year that removed eligibility for FE funding from Asylum Seekers, unless there case remains unresolved six months after initial application. This is to ensure that a large amount of public funding is not spent on individuals who will not remain in England.

3.5 The Committee of Inquiry on ESOL, established by the National Institute of continuing Adult Education (NIACE), was critical of the links between employability and ESOL provision. It also criticised the quality of ESOL provision and suggested that additional emphasis needs to be given to ensuring that ESOL teachers can act as a point of referral to IAG (NIACE, 2006). Most ESOL learners are from UK-born minority ethnic groups, with British Asian learners being the biggest group among them (LSC, 2006c: 4). A large proportion of the total is unhelpfully recorded as “white (other)”, though the NIACE Inquiry suggested that an increasing (now 6%) proportion (over 13-fold since 2003) of these is from the A8. Polish enrolments have increased 18-fold over that period (LSC, 2006a).

3.6 The increase in demand from A8 migrants for ESOL provision is part of a general picture of excess demand with inadequate supply, meaning that some providers are increasing or introducing entry criteria. This may help to meet the national PSA targets, but will also clearly limit access by some potential learners with the greatest need.

3.7 The research undertaken for the LSC strongly suggests that increased provision is needed to meet the demand from A8 migrants in particular. While there is no evidence to question this assertion, it will be important to heed the suggestion in the same report that additional research is needed on the nature, scale and character of the demand for learning from A8 migrants.

3.8 The total spend on ESOL provision has escalated significantly in recent years, rising from £103 million following the launch of the Skills for Life strategy in 2000–01, to £298 million in 2005–06. The picture is given below:
3.9 The reason for the drop in enrolments is not due to lower demand in 2005–06 compared to 2004–05. Rather it reflects the change in the FE sector towards approved qualifications, that are longer and more expensive to deliver. These qualifications are more portable, and help to ensure quality of provision meets nationally approved standards.

4. Future Needs

4.1 There is likely to be continuing high demand for ESOL and a need to address the large number of detailed recommendations regarding ESOL provision made by the NIACE Committee of Inquiry. In particular, there will be a need to ensure increased provision, better quality of provision, more links with other vocational and employability courses (a point also made by Leitch, 2006) and enhanced transferability between providers of accrued learner credits. In addition, a variety of different types of provision, including distance and flexible provision, will also be necessary to meet the needs of excluded groups, including migrants working in inaccessible locations.

4.2 Research for the LSC also suggests that A8 migrants may wish to progress to further education (FE) and higher education (HE) study as they become competent in English and that planning needs to be put in place to address this. Additionally, several recent government reviews have emphasised the need to strengthen skills provision to enable progression in the labour market and this will be as important to migrants as it is to the rest of the population, but may again require increased links between ESOL provision, IAG and investment and planning for progression.

4.3 Whilst there appears to be an undoubted excess demand for ESOL there is a problem that the LSC is only currently supported by DIUS. If demand is to be met by an increase in supply this will require cross government support.

5. Section 12. How do differences in migrants’ skills affect the economic impact of immigration? Does immigration fill skill gaps? What impact, if any, has immigration had on education and training? What is the relationship between the Government’s migration policies and labour market policies?

5.1 Data from the LFS can offer a snapshot of the skills of foreign nationals based in the UK, using the usual proxy of highest qualification attained. At the broadest level, research, using LFS data from 2000, shows that, overall, immigrants tend to be more polarised in terms of their educational attainment than the wider population. For instance, the proportion of immigrants to the UK with a degree level qualification as against those with no qualification at all is higher than for the rest of the population.

5.2 However, migrants are not a homogeneous group and qualification levels differ widely between the migrants from different countries of origin. For instance, the proportion of immigrants with degree level qualifications is substantially higher for Africans (33%), Chinese (31%) and people from English-speaking developed countries (26%) such as the US, Australia and New Zealand and those categorised only as “other white” (32%) (Dustmann et al., 2003). Qualification rates are also likely to differ widely by a number of other causal variables such as method of entry to the UK, level of education, English language proficiency and years since migration (Green et al., 2006).

5.3 More recent research using data from the LFS for 2005 confirms the polarisation of migrants’ qualification profile in relation to that of the wider population. However, the apparent polarisation might at least be partly explained by the number of migrant LFS responders that cite “other” qualifications as a result of difficulties in mapping their qualifications to the UK system (IPPR, 2005). While this might be relatively straightforward at degree level, it is much more difficult for other qualifications.
5.4 This work did not explore issues related to the different qualification profile of migrants from different countries but, interestingly, did consider differences in the skills profile of migrants in different host countries. This comparison suggests, first, that migrants in the UK are more likely to have higher-level qualifications than in many other countries (the UK was behind Canada and Australia on this measure but ahead of the US, Sweden, France and Germany). However, it also supports the notion that migrants in the UK are polarised in terms of qualifications, with Sweden in particular having a more equal distribution. France, Germany and the Netherlands have a less-skilled migrant population than the UK, according to this research.

5.5 Research undertaken on behalf of the LSC by the Learning and Skills Development Agency (LSDA, now the Learning and Skills Network) suggests that new migrants from the A8 countries tend to be highly qualified but lacking English language skills (Sachdev and Harries, 2006). However, these findings were based on small-scale qualitative research and there is insufficient evidence available at the present time from other sources to enable the wider relevance of these findings to be interpreted. What is agreed on by several sources is that, regardless of their technical capacity and qualifications, these migrants tend not to be occupying high-skilled roles (Salt, 2005), suggesting a need for further research into the extent to which A8 migrants are working on a temporary basis in order to improve their English language skills before moving into occupational roles in a global labour market (which might mean further periods of work in the UK) more suited to their skills and qualifications. The findings of such research would be instructive in shaping decisions about the type of learning provision to be offered to A8 migrants and the responsibility for funding it.

6. English Language Skills

6.1 Much of the research on the labour market performance of migrants, both new and long term, suggests or implies that a large number of migrants lack English language skills. For instance, Green et al. (2005) draws on local case study data to suggest that there is currently an unmet demand for English language skills provision. However, while there is no reason to question the conclusion, it does need to be contextualised. For instance, the case study research was undertaken during a period of high migration. Together with the changing pattern of migration, with increasing short-term flows from A8 countries as a proportion of the whole, this may mean that there is a need to differentiate between the skills needs of existing settled communities, new migrants joining these communities and refugees on the one hand, and short-term flows from A8 countries on the other.

6.2 On this issue, several reports suggest that A8 migrants also require access to English language skills provision, though the data that underpins these conclusions is less clear, and sources do acknowledge the need for better quality data about the specific types of demand from different. For instance, the ways in which A8 migrants might access provision in English for speakers of other languages (ESOL) might be different from those of other communities. Additional research appears to be necessary to find out more about the nature of the needs of different migrant groups and to understand the specific nature of that demand, including barriers and attitudes to learning.

6.3 The Learning and Skills Council remains committed to investing public finance to support the long term needs of the country, whilst targeting this spending on those with the greatest individual need for support.

28 September 2007

Memorandum by the London Borough of Hammersmith and Fulham

Hammersmith & Fulham has strong historic links with the Eastern European community going back many decades. The borough has therefore attracted large numbers of eastern Europeans since 1989, the numbers having increased significantly since 2003.

Eastern European, and particularly Polish, migrants make a valuable contribution to the local economy. Many, if not most, of recent visitors are employed in jobs requiring low to moderate skill levels—according to Home Office statistics almost half are employed in the hotel and catering trades. There is no evidence that they are having a negative impact on the local labour market, as many of the jobs they are taking up do have significant vacancy rates. There is evidence, however, that a minority of new A8 migrants are arriving unprepared for life in a foreign country and unable to find employment and accommodation. Some have alcohol problems and have boosted the local population of street drinkers. They tend to be younger and more prone to anti-social behaviour than the more traditional street drinkers in the Borough.

This minority of new migrants, who find themselves unemployed and living on the street or in squats, is placing a burden on public services. The street drinkers are tying up the resources of the police Safer Neighbourhood Teams, which are having to deal with complaints of anti-social behaviour and public drunkenness. Homeless migrants are placing greater burdens on local hostels and day centres funded by the Council and central
The economic impact of immigration: evidence

Government. The largest local homelessness project has recruited Polish speaking workers to deal with the increased demand from new Polish migrants unable to find work or accommodation.

The additional burden on local public services and community organisations is compounded by the inadequate migration data currently collected by the government, which greatly understates the numbers of migrants moving through the Borough.

The data does not even seek to capture short-term migration (those staying less than 12 months) yet these migrants will make use of public services, particularly those that are unable to find work.

The Office for National Statistics has, this year, changed the way in which the migrant population is calculated, which has led to a reduction in the estimated population of Hammersmith and Fulham of almost 9,000 people. Bizarrely, the revised “official” figures suggest that there was less overseas migration to the borough in 2005–06 than before A8 accession. In terms of net gains the new data suggests a figure of only 1,180 compared to a figure more than twice as high, 2,580, in 2001–02. Given the obvious substantial increase in the numbers of Polish migrants in the Borough over recent years, this reduction in the estimate is clearly wrong and it will result in a significant shortfall in the Council’s Formula Grant from next year. The Council is facing an increasing burden on its own services, and on those provided by local voluntary sector agencies which it funds, as a result of increased migration from Eastern Europe, yet the Government’s inadequate and inaccurate data collection on the local migrant population will result in cuts to the Authority’s annual budget.

1. Introduction

1.1 Hammersmith and Fulham is a small and densely populated west London borough with a population of 171,400 people (Office of National Statistics [ONS] Mid Year Estimate 2006). It is a popular place to live and work with over 70% of local people satisfied with the area (2006 Best Value national survey). The Borough offers a range of cultural attractions in the three town centres of Hammersmith, Shepherds Bush and Fulham and on the Thames-side. It has a net revenue budget of £180m.

1.2 Between 2001 and 2006 the population is estimated to have grown by a moderate 1.2%, which is a lower increase than Inner London (4.0%) or Greater London (2.6%). The Greater London Authority’s 2006 projections indicate that the Borough’s population will grow at a steady rate in future years, but these projections will be revised in the light of recent ONS revisions to population estimates. The current data suggest a high projection of 184,800 in 2011 and 189,000 in 2016 and a low projection of 181,000 in 2011 and 183,000 in 2016. Over the next ten years, the largest percentage population increases are projected in the 40 to 54 age group, followed by the 5 to 19 age group. This growth in population and the changing age distribution will place new demands on local public services such as education, health and housing.

1.3 The Borough has a relatively young and ethnically diverse population with a higher proportion of young adults aged 25–39 (37%) than London and the rest of the country. 27% of households consist of a single person under pensionable age and only 22% of households contain dependent children. Just over one in five residents are from non-white ethnic backgrounds, 5% were born in Ireland and there is a well-established Polish community. Some 90 different languages are spoken in local schools. London’s place as a world city means that the Borough will continue to be home for many diverse groups of people, of different nationality, ethnic origin, religion, and culture.

1.4 Hammersmith and Fulham has a very visible presence of Eastern European nationals on its streets. By far the greatest majority are Polish. This reflects the fact that the Borough has a long and proud history of Polish migration to the area and a wide range of Polish businesses and services have developed in Hammersmith and Fulham as a result.

1.5 The Polish Cultural Centre, within sight of Hammersmith Town Hall, is the largest Polish cultural institution outside Poland. The close historical tie between Poland and Hammersmith and Fulham is demonstrated by the fact that there is a Polish eagle on the Council’s mayoral regalia. The Council is proud of the established Eastern European community, which is an essential part of the fabric of the borough’s life, and welcomes the beneficial contribution of the new accession state nationals to the local economy and to the social and cultural diversity of the area.

2. Numbers and Characteristics

2.1 These historical ties, along with the various Polish businesses, services and community organisations, act as a magnet for new Polish migrants arriving in the Capital. Minibuses arrive on a regular basis from all parts of Eastern Europe. Regrettably, this migration, whilst making a very welcome contribution to the Borough, has also carried with it a number of associated problems. Last year the Broadway Centre (a local homelessness
project) recruited some Polish-speaking volunteers to help with the engagement of clients at their day centre. The Broadway funds an employment project to assist people who have found it hard to get work and this project has been seeing an increasing number of Polish migrants.

2.2 The area has become a locus for people seeking casual non-registered employment. Last year police estimated that around 150 new people were arriving in the Borough each week. Until a year ago, “gangmasters” turned up daily in the early morning to pick their workers from those 50–70 assembled in King Street, Hammersmith. This happened within sight of the town hall and led to many complaints. Due to a dispersal order, issued by the council, and the focused attention of the police, the public nuisance created by congregations of men hanging about for long periods on street corners has now been reduced. Although less visible this activity still continues, albeit in a more dispersed manner.

2.3 Many of the new migrants resort to sleeping in squats in large numbers or, if employed in the building trade, sleeping on site. An eviction from one property in Hammersmith pushed 30 people into short term rough sleeping behind Marks & Spencers—to subsequently disperse slowly over the next few days.

2.4 LBHF’s Alcohol Coordinator reports that street drinking by this group is regarded as the most troublesome and the most likely to result in anti-social behaviour and complaints from the public. Numbers of A8 street drinkers appear to be on the increase and there are now several fluid groups across the Borough consisting of 20-30 people. A street count on one day in August 2006 revealed 106 people street drinking, 38 of whom were identified as of Eastern European origin.

2.5 Earlier in 2006, the Royal Borough of Kensington & Chelsea and the London Borough of Hammersmith & Fulham commissioned a joint strategic review of rough sleeper services which revealed that 150 clients of the Broadway Centre were Polish and that 78% had no usable English. This equates to approximately one third of the clients attending the centre. The evidence at the Broadway Centre suggests that people unable to find work are resorting to street drinking. The number of A8 clients using the Broadway Centre in Shepherds Bush who have been verified as sleeping rough in the Borough increased from 11 to 38 from 2005 to 2006. Most of those people seen by the Broadway Centre have alcohol issues and some have mental health problems. Most would have come to the UK with these problems and more are likely to drift into rough sleeping if unable to find work.

2.6 The Broadway Centre provides health care services and general access to their day centre for people from accession states who they assess as vulnerable. If 150 are currently assessed as vulnerable a higher number must be presenting in search of assistance. They are allowed to use the Centre’s facilities until the assessment is completed.

3. Sectors and Occupations

3.1 Nationals of the A8 countries who wish to take up employment in the UK are generally required to register with the Workers’ Registration Scheme (WRS). The self-employed are not required to register. The data does not provide a measure of migration in that it is simply a gross figure for workers who apply to join the WRS. If a person leaves the country he or she is not required to de-register, so even for a recent period some of the data is historic.

3.2 The Home Office has supplied data on the detailed occupational breakdown of workers who have applied to join the WRS from W6, W12 and SW6 during the period 1/5/04 to 30/6/06. The total applications in the data is 2,610.

3.3 The main occupational groups, covering nearly three quarters of applicants, are in the following categories:

- catering—27%
- hotel staff—18%
- professional/managerial—11%
- retail—6%
- labourers, drivers, operatives—5%
- caring professions, teachers—5%
4. Labour Market

4.1 The majority of workers applying to register are, therefore, of low or moderate skill levels. Three of these broad groups are ones which DWP data from May 2005–June 2006 identified as having significant levels of vacancies. Catering, retail and labourers/drivers constitute 38% of those applying for the WRS, and these occupations constitute 39% of the vacancies notified over the past year. It can therefore be concluded that at least four in ten of A8 applicants to the WRS in Hammersmith & Fulham are within occupations for which there are local vacancies.

5. Public Services

5.1 Migrants from the A8 countries access the full range of local authority services. Examples are set out in this section of particular service impacts. A serious concern for Hammersmith and Fulham is that the current local government funding regime does not adequately recognise the demands placed on the council from A8 migrants.

5.2 Population data is a key driver of the amount of government grant support that local authorities receive through the Local Government Finance Settlement. Our view, as expressed in the section on data improvements, is that the current data provided by the Office for National Statistics has failed to keep pace with the population movements associated with the A8 countries. No allowance has been made for the impact of short-term migrants, those that reside in Britain for less than a year, whilst the data on inwards and outwards migration appears to be flawed. The net result is that government grant support has failed to keep pace with the demand for public services.

Education and Schools

5.3 Schools data shows a degree of increase in Polish pupil numbers 2002-07, though not of the same scale as increases in numbers of voters or NI registrations. Among nursery and primary schools, where the great majority of pupils live within the Borough, there has been an increase from 114 in 2002 to 152 in 2006, a 33% increase. Although this is a significant proportional increase, numerically the increase is relatively small. This bears out the assumption that most recent economic migrants from Poland have been single men rather than family units, although this may change over time.

5.4 Secondary school numbers are almost constant, (though with a jump of 24 in 2006–07) but here most pupils in fact travel in from outside the Borough, so the data here is inconclusive. Here 61% of Polish-speaking secondary pupils in 2006 attend London Oratory, where 91% of pupils travel from outside the Borough.

5.5 Data is available for 2007 for all A8 languages. The totals are 8 children in nurseries, 220 in primaries, 241 in secondaries and 3 in special schools. Polish-speaking pupils, therefore, form 89% of the pupils in schools originating from A8 countries.

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Source: LBHF Children's Services Dept

Homelessness and Advice

5.6 Hammersmith and Fulham received a grant from DCLG to address issues relating to A8 migrants. It was used to deliver an intervention for A8 street populations who were engaging in rough sleeping, street drinking and begging but who were not entitled to interventions or public funding. Many of these individuals were identified as highly vulnerable. The Council is working with the Barka Foundation, a Polish social inclusion charity, as a partner in a six month pilot working through the Broadway Centre and the Upper Room, which helps with IT training, employment, legal advice and documentation. The pilot has gone well and is due to
end in November. The Council feels that it is vital that such a support initiative is continued on a wider geographical basis with the participation of other Boroughs and/or the GLA or London Councils to avoid one Borough becoming a magnet for migrants.

5.7 As well as the Broadway Centre and the Upper Room which the Council provides funding for, the East European Advice Centre is also in the Borough and is another agency which the Council supports. It has been inundated with the demands of the growing group of East European migrants that visit to seek advice and help. Being a London wide resource that just happens to be based in the Borough, however, only a relatively small proportion of its clients are Borough residents and so, again, there is a need for wider collective funding and service provision across a wider geographical area.

6. **Improvements To Data**

6.1 Hammersmith & Fulham has a long-standing Polish community, second in numbers only to the adjacent Borough of Ealing, so it is natural that large numbers of Polish migrants following accession in 2004 would come here. The strong impression from daily life in this area is that this has undoubtedly been the case. This has not, however, been fully reflected in official migration data.

6.2 There is no way of properly measuring A8 migration, or indeed any international migration. The sample used in the International Passenger Survey (IPS) is too small (the total national sample in 2005 was only 2,965 in-migrants and 781 out-migrants), and the same is the case for the Labour Force Survey (LFS), which is now being used to determine geographical distributions of in-migrants and where data is only available for groupings of local authorities.

6.3 Furthermore, official estimates measure only long-term migrants, ie those staying for a year or more. Short-term migrants, of which there are many within the A8 flows, are completely missing. Workers’ Registration Scheme data for Hammersmith & Fulham for the period May 2004 to March 2007 indicates that 37% of A8 migrants registering were intending to stay for less than 12 months, so that over one third of A8 migrants would be missing from official counts. Short term migrants, of course, still use public services.

6.4 The Office for National Statistics (ONS) recognises these deficiencies and has been working on their improvement. The necessary improvements, however, have not been fully implemented and an interim solution has been devised by switching from IPS to a combination of IPS and LFS, which substitutes one set of inadequate data for another and there is still no measurement of short-term migration.

6.5 The net result of this change has been a disaster for H&F in that, as a result of adjustments to estimates of international migration, the population of the Borough in mid 2006 is estimated to be 8,500 fewer than the previous estimate for 2005. The adjustment to previous Mid Year Estimates 2002–05 has resulted in a net loss to the Borough over that period of 8,900 people, caused by reductions in estimated in-migration of 4,400 and increases in estimated out-migration of 5,400. This, in turn, will have a potentially disastrous impact on the Council’s finances when the Government’s 2004-based Sub-National Population Projections are released, which will be used to determine Formula Grant.

6.6 The absurdity of the figures is that the revised official data now suggests that overseas migration to the Borough was less in 2005–06 (a total of 5,680) than before A8 accession (between 6,600 and 7,000 a year in the 2001–04 period). In terms of net gains the new data suggests a figure of only 1,180 compared to a figure which is more than twice as high, 2,580, in 2001–02. This is plainly wrong in the context of the recent wave of A8 migration.

6.7 The main indicators of A8 migration are National Insurance (NI) registrations and data from the Workers Registration Scheme. Since 2004, 4,330 A8 workers have registered for NI in H&F and 4,080 have registered on the WRS. This can be contrasted with the fact that there were only 200 NI registrations from A8 countries in 2002–03, so we know that there has been a very substantial increase in A8 migration. Yet in the latest population estimates by ONS the net gain to the Borough due to international migration for 2005–06 is estimated to be at the same level as pre-accession, in the years 2001–03.

6.8 Among London Boroughs, Hammersmith & Fulham ranks 5th highest in numbers registering on WRS between May 2004 and June 2007 and 12th on NI registrations. In the ONS estimates of international in-migrants 2005–06, however, Hammersmith & Fulham ranks 14th and in terms of net international migrants as a % of total population, Hammersmith & Fulham ranks as low as 19th among London Boroughs.

6.9 The gap may indeed be even wider than this. NI and WRS data has known limitations. Not everybody registers—the self employed for example are not required to register for WRS, and of course dependants are not registered in either scheme. An even greater drawback may be that the place of initial registration may not reflect current place of work or residence. A person registering in Westminster, for example, may actually soon
after being living or working in Hammersmith & Fulham. So it may well be that registration data may under-count numbers for this reason, as well as the fact that not everyone registers at all in the first place.

6.10 The indications are, therefore, that for the migrants that ONS purports to measure, i.e., those staying for 12 months or more, the estimates are likely to be erroneous. Furthermore, there is a large number of migrants staying for shorter periods who are not measured at all.

6.11 As well as reductions in estimated in-migration, ONS has increased the number of estimated international out-migrants so that the Borough has the 7th highest figure among the London Boroughs: in terms of out-migrants, as a % of total population, Hammersmith & Fulham ranks 4th. This is not so much based on hard data but on a regression model using the 2001 Census. There is no common sense reason for supposing that 5,400 more people have left the Borough over the 2002-05 period than was previously estimated. So here again ONS estimates are likely to be erroneous.

6.12 The above is a demonstration of the fact that although ONS are working to improve estimates of migration, these improvements are by no means fully worked through. The recent revisions are an inadequate interim solution which still produces deficient data and the application of which has had a major negative economic impact on some local authorities, of which Hammersmith & Fulham is one.

6.13 In order to more fully understand what is happening in Hammersmith & Fulham with regard to A8 migration, including the extent to which it consists of short-term or repeat migrants, the Council is commissioning some research, the results of which will be published next year.

28 September 2007

Memorandum by the London Borough of Hillingdon

Executive Summary

1. Introduction

1.1 The London Borough of Hillingdon is the westernmost borough in Greater London. Its forty-two square miles makes it London’s second largest borough. It is home to a diverse population, representing a vast range of cultures and nationalities. The borough was formed in 1965 from the Municipal Borough of Uxbridge, Hayes and Harlington Urban District, Ruislip-Northwood Urban District and Yiewsley and West Drayton Urban District of Middlesex.

1.2 Hillingdon contributes greatly to the economic success of the capital and yet does not receive a fair proportion of the redistribution of that wealth. The borough only receives £69 million on business rate redistribution and yet it contributes approximately £246 million. This is very low in comparison to other areas. Birmingham generates £320 million in business rates and receives £500 million back from the pool. Businesses in Manchester, Leeds and Westminster generate £250 million of income but get back more than £500 million. Government proposals to introduce a supplementary business rate will not be available to London boroughs. If they were, we would have considerable leverage to manage Heathrow pressures.

1.3 Strategically, Hillingdon is the “Gateway to London” and as the home of Heathrow Airport, it is also the world’s foremost gateway to the UK. Due to its proximity to the world’s busiest international airport, Hillingdon faces some unique challenges relating to the costs of migration and caring for asylum seekers and economic migrants recently arrived in the UK. Hillingdon’s population has increased considerably in the past few years and this figure is expected to continue to rise. As it grows, the borough’s population is expected to become more ethnically diverse.

1.4 The London Borough of Hillingdon is ideally placed to contribute to this enquiry by demonstrating the economic and social impacts of recent migration to the borough. We are able to demonstrate how increased migration has affected public services and the public finances of the London Borough of Hillingdon. Moreover, through looking at Hillingdon, the committee might gain valuable insight into the effects of migration on a limited geographical area and how improvements in migration data might help alleviate some of these problems.

2. Summary of issues

2.1 Due to the proximity of Heathrow Airport, Hillingdon faces unique challenges relating to containing such a large “point of entry” to the UK. These relate to the changing demographics of the borough and subsequent pressures on public services. In addition, the London Borough of Hillingdon statutorily acts as the “corporate parent” for an increasing number of unaccompanied asylum seeker children (UASC) that come to the UK.
through Heathrow Airport. Further problems arise when these young people leave care or become asylum seekers who have “exhausted all appeals”. Whilst Hillingdon meets its obligations under the Leaving Care Act, unlike other authorities the cost of doing so falls disproportionately on the council taxpayer due to the operation of the grant regime and the sheer numbers involved in what is a local phenomenon. Based on a survey in 2006, our shortfall funded by local taxpayers was £4.8 million a year whereas, for Croydon (which is the gateway for Gatwick Airport) the shortfall is likely to be around £0.8 million.

2.2 The demographics of Hillingdon have changed considerably in recent years. Whilst Heathrow has meant that Hillingdon has always been home to people from across the world, more recent developments such as when citizens of eight Central and Eastern Europe countries gained the right to work in the UK, and air travel becoming more accessible for greater numbers of people, changes in population demography and numbers have accelerated.

2.3 Being the home to the national airport makes it self evident that we differ from other London boroughs as regards to the effect of unaccompanied asylum seeker children locally. Social services at Hillingdon council receive dozens of calls a week from the airport authorities asking them to collect unaccompanied children. Hillingdon is responsible for providing services for over 1,000 unaccompanied asylum-seeking children—including accommodation, schooling and disability support.

2.4 Changes in the Unaccompanied Asylum Seeker Children Leaving Care Costs Grant in 2004 have detrimentally impacted on the London Borough of Hillingdon and our subsequent ability to deal with pressures associated with increasing numbers of arrivals in the UK. The local Authority is now paying over £5m each year to cover the shortfall in funding by central government.

2.5 The London Borough of Hillingdon also provides for over 100 individuals who have exhausted all appeals on their asylum applications and according to the Home Office have no right to remain in the UK. Again we are statutorily required to provide housing and other forms of support for these individuals but without any assistance at all from central government. This costs Hillingdon between £1m and £1.5 million a year.

2.6 It is important that the issues of economic migration and asylum, and the impact that this has on a geographical area economically and in terms of the strain on public services, are not treated in isolation. In Hillingdon’s experience they have grown in unison, and should be part of wider plan in supporting areas of the UK that disproportionately feel these effects.

3. A Changing Population

3.1 Migration has worked in Hillingdon and has benefited our borough. The council, sometimes faced with considerable challenges has successfully integrated new arrivals into our community—but integration requires appropriate funding and accurate planning. This integration reputation however is now at risk because of lack of appropriate funding support from central government.

3.2 Much like other areas of the UK, Hillingdon has seen an increase in migration from the eight Central and Eastern Europe countries when their citizens gained the right to work in the UK after they attained membership of the European Union.

3.3 The level of settlement is perhaps unique for an outer London Borough as much of the focus of Central and Eastern Europe migration has been on inner London Boroughs. This can be attributed to location of Heathrow Airport, the favourable local economy, and our proximity to Slough which has also seen considerable migration.

4. Population estimates

4.1 The 2001 census put Hillingdon’s population at 243,006—which was 8,600 more than in 1991. This represents a growth of 3.7%.

4.2 On 24 April 2007 the Office of National Statistics (ONS) issued details of changes to the methodology it uses to calculate estimates of international migrants at both regional and local authority level. These changes have been applied to the mid year population estimates for 2006 and to revised population estimates for 2002 to 2005. These changes to population estimates in turn impact on the revised 2004 Sub-National Population Projections (released on 27 September 2007) likely to be used in the Revenue Support Grant (RSG) Settlements for 2008–09 to 2010–11.

4.3 The original mid year estimate for Hillingdon’s population in 2005 was 252,400 (which we believe to be an underestimate). Instead of continuing the previous upward trend in population, the new ONS methodology has stated that Hillingdon’s population stands at 4,500 fewer.
4.4 The London Borough of Hillingdon is actively disputing these estimates and projections and their use in calculating the local government funding formulae. It is inconceivable that at a time of record migration to the UK, the local authority containing the largest point of entry to the UK is experiencing such a limited increase in population.

4.5 The changes in this methodology only deal with the redistribution of a fixed quantum of international migrants at national level, based on estimates from the International Passenger Survey (IPS). There are good reasons to believe that these estimates are unsatisfactory. There are a range of concerns about the robustness of the IPS—particularly its small sample size and possible inadequate sampling of modes of entry, which would appear to be particularly important for recent international migrants to London.

4.6 Most importantly of all, the ONS do not currently count short-term migrants (those here less than a year) in population estimates, and this is why the impact of A8 and A2 accession is not being picked up in the ONS population estimates, and why Hillingdon is unlikely to get the funding needed to cover the additional costs that are arising as a result, under current funding methodologies.

4.7 Through the work we have done with multi ethnic and multi faith forums we can see that there is a real threat to community cohesion in the borough. Hillingdon’s Connecting Communities forum has written to ministers to express their concerns about this issue, giving their full, cross-community support to the council.

5. Public Services

5.1 It is vitally important that population projections are accurate as they play such an important part in managing service delivery.

5.2 Like any residents, new migrants will also create demands for local services. In fact, the pressures on many local services can often be much greater where there is a significant churn in population or where the local population is increasing.

5.3 Many new migrants experience multiple levels of deprivation and that the associated casework is likely to require additional assistance, over and above a typical resident, due to their complex needs.

5.4 Unpredictable and uneven demands on services caused by demands at Heathrow create considerable problems for strategic planning in social care services. This creates challenges in meeting external performance indicators and thus affects the Council’s CPA score. Social services become liable for those British subjects entering via Heathrow who have no connections elsewhere and are not eligible for benefits because they fail the “habitual residence” test. Where children are involved or the adults are particularly vulnerable social services are statutorily responsible for supporting the family or individual including housing needs. Adult services will be required to support adult asylum seekers who are disabled and cannot be dispersed via the National Asylum Support Service programme.

5.5 Immigration also has a major impact on the council’s housing policy and strategy. This applies both to unaccompanied asylum seekers and in particular, families. The most recent example is the announcement of an amnesty by the borders and immigration authority. This will place a requirement on the council to house around 200 families, which not only impacts on the council’s budget but also the supply of local housing in the borough. This will also directly lead to the council not meeting its homelessness targets. In terms of the wider local housing markets, even those families that the council is not required to support are “chasing” the same accommodation that the local authority is trying to use to meet its housing targets.

6. Unaccompanied Asylum Seeker Children

6.1 Before 2004–05, local authorities supporting more than 44 asylum seeker care leavers aged between 18 and 24, received between £100 and £140 a week from the Department for Education & Skills (DFES) to provide support services for each additional leaver over the first 44.

6.2 In October of 2005 and January of 2006, it was announced these settlements would change to a flat grant of £100 a week for every additional asylum seeker care leaver over the first 25. Crucially, this new settlement would apply retrospectively.

6.3 Hillingdon is responsible for providing services for over 1,000 unaccompanied asylum-seeking children—including accommodation, schooling and disability support.

6.4 The impact of these settlement changes—and the fact it applied retrospectively—were that Hillingdon had to find an extra £1.6 million for the financial year 2004–05 which was not planned for. It also had to find £3.7 million in the financial year 2005–06 and there will also be an estimated on-going future budget impact of £4.8 million. Budgets in 2006–07 (and now in 2007–08) were set with above deficiencies in mind.
6.5 In effect, Hillingdon is being punished for efficiently carrying out the Government’s own policies on providing for asylum seeker care leavers. The costs of providing services under care leaving responsibilities in 2006–07 are 24% of the national cost (falling on one authority).

6.6 The number of asylum seeking children in care under 18 is equivalent to almost 50% of Hillingdon’s indigenous children’s social care caseload placing considerable demand for the limited number of foster care places. Funding arrangements make no account for these increased pressures.

7. Exhausted All Appeal Asylum Seekers

7.1 Hillingdon also currently provides for 100 asylum care leavers who are not eligible for specific grants from either the DFES or the Home Office because the young people concerned have exhausted all appeals on their asylum applications. Hillingdon have a statutory obligation to provide these services.

7.2 However, the Home Office have failed to deport them, and the Government has failed to take responsibility for remedying this situation—this costs Hillingdon between £1m and £1.5 million a year.

7.3 The Home Office actually contacted council officers in Hillingdon back in September last year explaining that they did not know where these exhausted all appeal asylum seekers were, and asked for a full list of names and addresses.

7.4 In February 2007, Hillingdon announced a council tax increase of 2.75% with an additional 1% to cover the costs of supporting asylum seekers who have exhausted all appeals and have not been removed from the UK by the Home Office.

8. Conclusion

8.1 The impact of these ongoing funding pressures could mean that Hillingdon has no choice but to raise council tax again next year or cut other services. Much of the money which has been used to plug the shortfalls caused by new funding rules for asylum seeker care leavers, was set aside for other services.

8.2 As an authority with growing spending needs driven by the growth and scale of demographic change in the borough, the increases in Department for Communities and Local Government formula grant that their funding formulae suggest we should receive are not being passed onto the London Borough of Hillingdon. This is due to our above average formula grant increase being “scaled back” to pay for “floor” increases for other authorities. The level of scaling back is severe—69% of our additional grant increase equivalent to over £2.6 million in the 2007–08 settlement, and this further exacerbates the extraordinary funding pressures we face as a result of the location of Heathrow Airport in the borough.

8.3 If Hillingdon were to receive inadequate RSG Settlements for 2008/09 to 2010–11 on the basis of flawed methodology, this will also detrimentally impact our ability to provide first-rate services and will inevitably mean a considerable council tax increase.

8.4 As new migrants often require more complex and considerable levels of support from the local authorities, funding shortfalls will severely impact our ability to provide these support services and retain the borough’s admirable record of successfully integrating new arrivals within the community.

9. Key Recommendations

9.1 The small sample size surveys in the IPS designed for capture other information are not suitable for use in improving migration estimates. The Statistics Commission has informed government for four years of the need to share existing and new administrative data between all departments. Government should urgently share data between departments and to use local data sets or local research to quality assure population estimates. In addition, settlements should not be finalised for 2009–10 and 2010–11 until borough level estimates of short-term migration are available and integrated into population estimates.

9.2 The Government is not recognising the concerns of local authorities and is passing on all accountability to the Office of National Statistics. The Department for Communities and Local Government need to be more responsive to the needs of local authorities facing particular funding pressures.

9.3 This is particularly relevant on the subject of the Unaccompanied Asylum Seeker Children Leaving Care Costs Grant where Ministers have consistently refused to meet with representatives from Hillingdon to discuss these issues. The grant at £100 per week remains inadequate to address the needs.
9.4 Funding for UASC should be needs based rather than per capita to ensure costs are recoverable. Funding regime should be managed by one Government department to promote consistency and coherence and avoid the conflict in regimes that exists between the Home Office and Department for Children and Learning.

9.5 There should be separate funding arrangements in place for local authorities that have large “points of entry” to deal the unique challenges associated with this.

28 September 2007

Memorandum by Dr Sonia McKay, Working Lives Research Institute, London Metropolitan University

1. Numbers and characteristics of recent migrants

Our research suggests that recent migrants (in particular those from A8 countries) are likely to be young, generally clustered in the 20–30 age group. As young workers they are enthusiastic and willing to learn but they may be more exposed to risk, precisely because their youth and relative inexperience in the jobs that they find themselves in, puts them at greater risk (McKay et Al, HSE Report 2006). The proportions by gender are relatively similar; in terms of the number of arrivals we have found less evidence of a clear gender divide, particularly with regard to A8 nationals. However, there are clear divides in terms of the jobs that they do. Occupational segregation, a recognised cause of women’s poorer pay position in relation to that of men’s, is as dominant within the migrant labour force as it is within the UK-born labour force. In terms of countries of origin, Poland, Lithuania and Latvia emerge as the largest suppliers of recent migrants. However, it is important to note that there is still substantial migration from the rest of the world and the migrant worker workforce in the UK remains diverse and that their journeys and migration experiences may be less or more challenging depending on factors to do with racism and prejudice. Although much media attention has been focused on A8 workers, this might simply be a ‘cover’ for a more all-embracing challenge to the presence of migrants, both new and old, within the UK. Thus while the media seems to be focusing its attentions on A8 nationals, in practice the hostility this encourages affects all migrant workers; and those whose immediate or family origins are from South East Asia and from Sub-Saharan Africa often consequently experience the worst forms of discrimination.

In our experience, many recent migrants on arrival may view their migration as of a short stay, to provide some financial backing for future longer-term plans in their countries of origin. However, over time these plans do change, and we are beginning to see migrants from A8 countries beginning to think more long-term about their life in the UK. Some of those whom we have recently conducted interviews with now talk of years, rather than months of stay in the UK. Obviously long-term plans are predicated on the economic and family situation both in the UK and in country of origin, but I would suggest that after five years stay it is less likely that a migrant worker will see her/his migration as one of a temporary state.

2. Sectors and occupations

Migrant workers are generally finding work in low paid and low skilled employment, regardless of the skills and qualifications that they bring to the UK. Work is often accessed through employment agencies, either in country of origin or after arrival in the UK. Most of the jobs available are at or below the national minimum wage and for those paid below the minimum there is a reluctance to challenge this due to the need to be in employment, in circumstances where there are no other available means of financial assistance. This is true of documented, compliant migrants but is even more problematic for undocumented, non-or semi-compliant migrants (McKay and Winkelmann-Gleed, EEDA Report, 2005). The only party that gains from this is the unscrupulous employer who acknowledges the weak bargaining power of these workers. The importance of agencies as a source of employment can compound this situation. While many migrants have told us of the advantages for them in having initial employment sorted through an agency, most of those whom we have interviewed and who work through agencies, believe that their working terms and conditions are less favourable than those of directly employed staff. Certainly agency migrant labour is very unlikely to be paid at more than the national minimum and a relatively large number of agency workers will be paid at less than that rate, either because the hourly rate is lower, or because there are high levels of deductions for accommodation and or transport and these result in very low hourly rates.

In terms of comparisons with local workers, the migrants we have interviewed (in excess of 350 face-to-face, in-depth interviews) tell us that their experiences are predominantly of being given the “worst” jobs. Migrant workers say they are more likely to be working nights, more likely to be working the longest hours and are more likely to be working in conditions which are generally recognised as the least favourable within their
individual workplaces—for example, in cold/wet conditions. There is some evidence that those in the weakest positions—for example those without authorisation to work—are being placed in the worst jobs and in the interviews a number of migrant have commented that black migrants seem to get allocated to the worst tasks.

3. Employers’ reasons for employing migrants

Employers whom we have interviewed (in excess of 100 face-to-face, in depth interviews) generally state that they employ migrants either because there is no available local labour, or no labour prepared to do the work for the wages on offer. But they also view recent migrants as possessing talents and skills not available in the local labour market and as having a greater aptitude and desire to work. This is not unusual, migrants have always been depicted in this way and clearly their objective, economic situation may mean that they are prepared to settle for terms that would be unacceptable if they viewed their work as a longer-term commitment. Thus the advantages that employers perceive in employing migrants may not be sustainable in the longer-term.

Migrant labour is particularly sought in those sectors where planning for production is difficult, due to the demands of clients. For example, the food processing sector (ETI report), construction, hotels and catering and agriculture.

4. Impact of migration across regions

Our research has been undertaken in some regions of the UK that have not been the destinations of previous generations of migrants—including the East of England, the South West and the North East. Recent migration has therefore not necessarily followed earlier patterns of establishing bases in geographical areas where existing migrant communities already were present. Thus new migrant communities have been developing in regions where there is neither the expertise, experience or in some cases the necessary understanding of the needs of recent migrants. This situation can, however, sometimes encourage more innovative practices. We have noted sometimes a greater willingness to experiment in new forms of service delivery. However, the same geographical areas are also sometimes the location of high levels of prejudice from local communities, who are afraid of challenges to their ways of living. These can be overcome, but they require very targeted strategies by government and local agencies and sometimes these are not present. An overall tightening of local government and National Health Service expenditure, both feeds into these prejudices and fears and furthermore does present real challenges for service deliverers, in trying to meet the needs of host and new communities. The risk is that this will only serve to strengthen racist discourse and give credence to those organisations that appear intent on encouraging divisions in society.

12 December 2007

Memorandum by the Migration Policy Institute

INTRODUCTION

This written evidence is intended to provide a brief overview of points systems around the world, their major features, why they were created, and how they fit into the economic migration selection system of the UK. We conclude by suggesting some key principles policymakers must consider to ensure a points system will remain valuable to the UK.


POINTS SYSTEMS: A GROWING TRENDS

An increasing number of developed countries make it relatively easy for highly skilled foreigners, particularly those that their labour markets need, to be admitted as immigrants. With that goal in mind, Canada launched the first points assessment system in 1967. Australia launched its points system in 1989, followed by New Zealand in 1991 and the United Kingdom in 2001.

Several more European countries are considering adopting such systems. For example, in the Czech Republic, the Active Selection of Qualified Workers Project, introduced in 2003, relies on the principles of a points system to stimulate permanent immigration of young qualified people from select countries, mostly from Eastern Europe and the Commonwealth of Independent States. Criteria for obtaining points include previous

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**THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE**

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work experience in the Czech Republic, educational attainment, and language skills. As many as ten other countries are considering points systems, from South Africa to the Netherlands.

On October 24, 2007, the European Commission plans to issue a directive (proposed “legislation”) on the highly skilled, along lines that are likely to include principles associated with points systems. Clearly, more and more countries are deciding that admitting immigrants, selected for the education and qualifications the receiving economies need, and can presumptively benefit from, is a good economic and labour market policy for both the short and the longer term.

**What Are Points Systems?**

First and foremost, points systems are human capital accumulation mechanisms. As such they are not about filling immediate, specific job vacancies in the economy and have limited application for such a goal. In essence, they award points for certain individual characteristics that countries choose to value most at a specific point in time. All points systems include a minimum number of points that candidates must have to qualify for entry; typically called the “pass mark.”

Five criteria garner the most points across all points systems in use across the globe:

- Education.
- Occupation.
- Work experience.
- Language.
- Age.

A second tier of criteria do not appear in every system and their valuation—measured in terms of assigned points—typically lags far behind that of the top five. These are:

- Previous or proposed earnings or salary (*an important component of the UK system*).
- Employer nomination/job offer (often in a “shortage” sector).
- Prior work experience or education in the country of proposed immigration.
- The presence of close relatives.
- Settlement stipulations and considerations (where one commits to locate).
- Investment with job creation responsibilities and retirement.

When the UK points system, The Highly Skilled Migrant Programme (HSMP), was originally introduced, in December 2001, it awarded a small number of points for language, age and a greater number of points for education, experience and awards. A variety of changes over the years, most significantly in November 2006, has made the system more focused on educational qualifications, past earnings and age while language fluency has become a mandatory. In doing so, the system moved from rewarding potential to rewarding certificated achievement.

As implied, points systems aim to attract the highly skilled. However, this is not pre-ordained. A points system can also be used to select workers who are not necessarily highly skilled. At present, policymakers are operating under the *presumption* that those with high skills will better benefit the economy.

**Why Were Points Systems Created?**

This question is best answered by a brief examination of the genesis of point systems, particularly in the country that gave birth to them: Canada.

*Canada’s points system*

Canada reached the decision to introduce a points test partly to avoid the cycle of numerical feasts and famines in admissions that its economy had been creating and partly to distance itself from a selection system based on racial criteria. After a few false starts (during which the system focused primarily on addressing job shortages), its points system became a mechanism to advance the broadest possible economic interests of the country and get better “economic integration” outcomes for points-tested immigrants.

These broad interests included a crucial social and demographic component. In many ways Canada’s points system is predicated on selecting immigrants who will integrate into society.
The objectives of points systems

However, not all points systems were introduced for the same reasons. Unlike Canada, Australia has been relentlessly focused on two objectives for points-tested immigrants: first, they should bring a fiscal benefit (hence the young, well-educated migrants favoured in selection who must also pass a stringent health test) and second, they should get a job as quickly as possible (hence the premium on English and incorporating job offers into the points system).

New Zealand, as in so many of its policies, follows the Australian mode, but with one crucial difference. New Zealand policymakers spend much more time examining its emigration flows as it is deeply concerned with losing skilled workers. It therefore shares a focus on population flows with Canada, though the difference is New Zealand is concerned with maintaining its population, Canada with expanding its population.

The following table gives a summary of the objectives behind the four major points systems around the world.

<table>
<thead>
<tr>
<th>Country</th>
<th>Date of introduction</th>
<th>Objective</th>
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<tbody>
<tr>
<td>Canada</td>
<td>1967</td>
<td>1. Demographics (nation building)</td>
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<tr>
<td></td>
<td></td>
<td>2. Fill job shortages</td>
</tr>
<tr>
<td>Australia</td>
<td>1989</td>
<td>1. Gaining employment rapidly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Fiscal contribution</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1991</td>
<td>1. Balancing loss of skilled workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Contribution to the economy</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2001</td>
<td>Originally—attracting the next “Einsteins”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Currently—attracting youthful, qualified workers to contribute to the economy</td>
</tr>
</tbody>
</table>

Other deficiencies addressed by points systems

Points systems also became popular among government planners as a means of addressing another concern. Higher education systems that were not producing enough professionals with the human capital characteristics their economies needed to grow and become more competitive in the emerging global marketplace. This concern hints at an ever-present debate in immigration policy: the balance between importing skills and “growing our own” in the training and education system. Elements in the HSMP, such as the introduction in 2006 of a new criterion that awards graduates from the 50 top business schools from around the world wishing to immigrate to the UK an automatic score of 75 points, equal to the pass mark, show that policymakers are keen to augment the UK system.

In passing, it is worth mentioning potential uses of points systems. They include their potential to address the illegal population in the UK (they become legal if they meet the requirements) and to address the movement from temporary to permanent status (the pre-condition for citizenship). The former has been recently suggested by Senator Hagel (“The Immigrant Accountability Act of 2007”) for the US and the latter would be easy to implement given the fact that tests on language and knowledge of ‘Life in the UK’ have recently been introduced for those immigrants wishing to gain permanent residence in the UK. Thus, immigrants who are already present but do not have the authorization to live or work in the country could, by meeting the criteria of a points system, earn legal status. Some of those who come as part of a temporary worker program could also gain permanent residence through a points system.

The politics of points systems

In addition to meeting policy goals, points systems have helped governments meet certain political aims. For instance:

— They can inspire public confidence by appearing to use universal, data-driven, and objective selection criteria to advance clearly defined and easily understandable economic and labour market objectives. Compared to most other selection systems, points systems appear to avoid the “gamesmanship” between employers and bureaucrats that afflict all case-by-case selection systems.

— The appearance of impartiality discourages individual-level challenges while the semblance of technical complexity and the formula’s focus on addressing longer term economic growth and competitiveness priorities dampens concerns about adverse effects on domestic workers.
— They can reassure the public that immigrants were chosen through criteria that place the country’s broadest economic interests front and centre and thus promote its position in an increasingly competitive world.

— Most significantly, a points system conveys to the public that the government is being proactive in anticipating needs and manipulating entries in ways that put national economic interests first; that is, that the government, rather than employers or immigrant families, is in charge of what is arguably the most important function of the immigration system.

Selection systems that rely on points assessments, however, are not focused only on communicating with their own citizens. They also serve as announcements to would-be immigrants anywhere about the skills and preparations that could win them a work visa to an increasing number of the most advanced economies in the world. Developing countries around the world have altered their systems to such opportunities.

Adaptability, flexibility, and simplicity are hallmarks of the most successful points selection systems. Thus, points systems can serve as incentives for creating the “virtuous circles” of using the need to constantly adjust both the attributes the system chooses to reward and the point values it assigns to each to engage in systematic, targeted, and ongoing research and evaluation studies on immigration.

THE EVER-CHANGING POLICIES OF POINTS

The countries that developed the points-system concept (starting with Canada) have continued to rely on points systems but are showing considerable flexibility by adopting several ideas from elsewhere, particularly the United States.

Specifically, after a period during which job offers had been assigned fewer and fewer points, Canadian and Australian employers are increasingly allowed to bring the workers they need from abroad, albeit initially as temporary workers. Hybrid selection systems thus appear likely to dominate the immigrant selection field in the future. Such hybrid systems would facilitate selecting immigrants in ways that are most consistent with a country’s traditions and with the way in which its economy and labour market operate.

Points systems will nonetheless continue to be relied upon by increasing numbers of states, including the UK, particularly during the early phases of opening themselves to international migration. The reasons are many. Not the least among them is that these countries need a way to get out of the “no immigration” traps they set for themselves over the last several decades. As the UK matures as an immigrant-receiving society, however, firms may need to be empowered to gain better access to the skills and talents they need.

WHERE DO POINTS FIT IN THE UK CONTEXT?

As noted above, the UK already has a points system (the HSMP). The figures (from Professor John Salt, University College London) show that those entering under the HSMP have risen steadily, from 1,197 in 2002 (the first acceptances date from 1 February of that year), to 4,891 in 2003, 7,358 in 2004 and finally 17,631 in 2005. The Joint Committee on Human Rights recently noted that a cumulative total since its inception was 49,000. This expansion is likely to continue, but remains small in the context of an inflow that totalled 565,000 in 2005 (of which over 300,000 were neither British citizens nor from the European Union).

The government’s plan for a Points-Based System is actually a misnomer. The Points-Based System is a hybrid, five-tiered economic migration selection system. Only tier 1 could be described—by any reasonable analyst—as a points system. The other four tiers are in fact more “traditional”: tier 2 is based on the former work permit system, tier 3 on low-skill temporary worker schemes. Tier 3 is likely to be restricted while the EU provides workers prepared to take up low-skill jobs in the UK. Tier 4 refers to students and tier 5 might best be described as miscellaneous, including various training and exchange programmes.

As a result, the UK is likely to only points-test approximately 1 in 20 of its immigrants. Of course, this is not as low as it sounds. Canada, the points pioneer, points-tests fewer than a quarter of its immigrants in an average year, which shows that points-tested immigrants to Canada do not replace family immigrants and refugees. Furthermore, in our view, this is not a bad thing: points systems should be one of a number of tools in the policy toolbox.
Conclusion: Key Principles of Points Systems as Applied to the UK

Generally speaking, points systems are effective in creating pools of skilled workers from which employers can hire some of the workers they need. It is important for policymakers to understand, however, that points systems are not mechanisms for meeting the specific needs of specific employers within the narrow time frames that most firms operate. But for any selection system to be effective, the needs of employers must be placed at the centre.

The following five principles or recommendations for success are based on our assessments of successful changes to points systems around the world:

1. Points systems must be part of a hybrid system, where other selection systems work in tandem. Indeed, they should not be the centrepiece of any selection system (notwithstanding their use for PR). This appears to have been understood by UK policymakers, despite the misleading title of the reforms. However, the interdependence of categories and cross-fertilization has not been significant.

2. Points systems must be governed in a flexible, easily adaptable way as circumstances in the global economy change rapidly. Light-touch regulation is therefore the most effective. This is an inherent strength of the UK system but warning bells, such as the new sponsorship requirements, indicate that this strength may have become diluted in recent reforms.

3. Points systems, if they include the criterion of a job offer, can partially resolve shortages in certain sectors. If they do not have such a criterion, as currently in the UK case (Tier 1), they will not be particularly useful in filling gaps in the labour market. As a result, the advice of the Migration Advisory Committee will be of limited value to deciding on tier 1 (indeed, their work will be focused on tier 2 of the system). Essentially, our view is that filling job vacancies is best left to market forces.

Nevertheless, we do see two crucial areas where independent advice would be of value. First, ongoing research and value has been crucial to the changes in all other systems. It is essential this role is taken on effectively for the UK. Second, analysts, rather than predicting shortages in particular occupations, might better spend their time examining how best to build up particular strategic sectors, useful to the UK, in the medium to long term (perhaps environmental energy science or creative industries). This could be easily incorporated into a points system in tier 1.

4. Points systems, particularly if they have the objective of moving people into the labour market quickly in shortage sectors, must take account of the needs of local labour markets. In the UK this will require a new approach to governance that at least includes local and regional leaders in consultative mechanisms. At present, this does not exist.

5. For an economic selection system to be effective in the long-term, two essential conditions will have to be met:
   — First, the case must be made to, and understood by, the public. New mechanisms such as the Migration Impact Forum (MIF) and the independent Migration Advisory Committee (MAC) may go some way towards achieving this, particularly if they are not simply used as political cover, as they will draw in interlocutors from across government and ensure that an independent evidence base is amassed that has greater credibility than current UK government statistics. However, its long-term viability will require much more. Instead of borrowing the Canadian points model, it may be wiser for the UK to borrow their system of consulting the public, which requires politicians to explain the rationale for their immigration system to public meetings across Canada.
   — Second, the needs and aspirations of immigrants (what ‘drives’ them to the UK) must be understood. As the race for talent intensifies, the UK will lose out unless it recognises what makes it attractive, and, more to the point, what does not.

28 September 2007

Memorandum by Dr Pia Orrenius and Professor Madeline Zavodny, Federal Reserve Bank of Dallas

1. Summary

In our study, “The Effect of Minimum Wages on Immigrants”, the results indicate that higher minimum wages in the US boost average hourly earnings among immigrants who do not have a high school diploma or equivalent education. Despite this so-called earnings effect, we do not find evidence that this group suffers declines in employment or in the number of hours worked. We do find evidence of a decline in work among teens, with a difference by gender in whether employment or hours worked fell in response to higher minimum wages. Our failure to find an adverse employment effect among low-skilled immigrants despite a positive wage
effect could result from employers substituting low-skilled adults for teens when the minimum wage rises. In addition, immigrants’ locational choices appear to respond to changes in minimum wages. We find that the educational composition of immigrants within states and the distribution of low-skilled immigrants across states are related to minimum wage levels in a way that suggests that low-skilled immigrant workers prefer states which have lower minimum wages.

2. Motivation: there is no consensus on the impact of higher minimum wages on employment

Standard competitive economic models predict that higher minimum wages result in less employment. Furthermore, such models predict that adverse employment effects should be concentrated among less-productive workers whose low skill levels do not warrant employers paying them the higher minimums. Despite these predictions, recent research has reached disparate conclusions about the impact of minimum wage increases on employment of low-skill, low-wage workers. Neumark and Wascher (2006) provide a recent survey of this literature.

If immigrants are less productive than natives within the low-skilled group, then standard economic theories predict that immigrants should experience more adverse employment effects than natives when minimum wages increase. Immigrants on the low end of the skill distribution tend to have fewer years of education, less institutional knowledge, and worse English language skills than low-skilled natives. Commensurate with these differences, foreign-born workers who do not have a high school diploma earn 14% less than natives with similarly low educational attainment, and immigrants with a high school diploma earn 18% less than high-school-graduate natives (Economic Report of the President, 2005). Low-wage immigrants, particularly those from non-English speaking countries, also have considerably lower returns to education and less US labor market experience than low-wage natives (Chiswick et al., 2006).

3. Motivation: immigrants, because they are the fastest-growing group of less-educated workers in the US, may be more adversely affected by higher minimum wages than natives

In the US, two developments lend urgency to the question of how minimum wages affect the labor market opportunities of less-skilled workers. First, the federal minimum wage increased to $5.85 from $5.15 in July 2007. This was the first increase in the federal wage floor in a decade. The federal minimum wage will increase in two additional 70-cent increments over the next two years, reaching $7.25 an hour in July 2009. A number of states have in place minimum wages that exceed the federal level. (There are very few industry-specific minimum wages in the US, and wage-setting via a collective bargaining process is uncommon.)

Second, due to mass immigration over the past 20 years or so, the low-skilled labor force has grown rapidly (Sum et al., 2002). Immigrants compose a disproportionate share of the low-skilled labor force: almost 44% of adults in the labor force who lack a high school diploma are foreign-born. In fact, about one-third of foreign-born adults (aged 25 and older) in the US do not have a high school diploma or equivalent. Given these two developments, it is surprising to note that there are virtually no studies to date that investigate the effect on immigrants of higher minimum wages.

4. Motivation: the effects of labor market policies, such as minimum wages, are important in Europe where non-EU immigrants do substantially worse than natives or EU immigrants

Among Western European countries, the question of how minimum wages and other labor market regulations affect immigrants may be even more important than in the US. Many northern European countries are characterized by large unemployment and activity gaps between immigrants and natives, particularly among young workers, with the foreign-born more likely to be unemployed or out of the labor force (Orrenius and Solomon, 2006). If high minimum wages limit immigrants’ opportunities in the labor market, there can be long-term adverse effects for immigrants and for taxpayers who pay for public assistance programs. A recent Organization for Economic Cooperation and Development (OECD) study found significantly more adverse effects of minimum wages and other labor market regulations on immigrants than on natives in a cross-section of OECD nations (Jean, 2006). In particular, higher minimum wages reduce female economic activity and male employment rates more so among the foreign-born than natives.

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35 We use the terms “immigrant” and “foreign-born” interchangeably in this memorandum to refer to persons born outside the US to parents who are not US citizens.
5. Results: Groups that are more likely to be earning wages around or below the minimum wage include immigrants, women, the less-educated and the young.

As Table 1 shows, 1.4% of US workers earn exactly the effective minimum wage (the higher of the federal and state minimum wage). An additional 3.3% earn less than the minimum wage while an additional 8.5% earn above the wage floor but within 125% of the minimum wage. The fractions of workers earning exactly, less than, and slightly above the minimum wage are all higher among immigrants than among natives; higher among teens than among low-skilled adults; and higher among women than among men within age/education and nativity groups. For example, the shares of low-skilled adult immigrants who earn exactly, less than, and slightly more than the minimum wage are 5%, 7.6%, and 20.6%, respectively, versus 2.4%, 5.2% and 15.6% for natives.

Table 1

<table>
<thead>
<tr>
<th>SHARE OF WORKERS EARNING EXACTLY OR NEAR THE MINIMUM WAGE AND EMPLOYMENT RATES, BY DEMOGRAPHIC GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>All workers</td>
</tr>
<tr>
<td>Immigrants</td>
</tr>
<tr>
<td>Natives</td>
</tr>
<tr>
<td>Not high school graduate (aged 20–54)</td>
</tr>
<tr>
<td>Immigrants</td>
</tr>
<tr>
<td>Males</td>
</tr>
<tr>
<td>Females</td>
</tr>
<tr>
<td>Natives</td>
</tr>
<tr>
<td>Males</td>
</tr>
<tr>
<td>Females</td>
</tr>
<tr>
<td>Teens (aged 16–19)</td>
</tr>
<tr>
<td>Males</td>
</tr>
<tr>
<td>Females</td>
</tr>
</tbody>
</table>


Note: Shown are the fractions of workers in the indicated age/education group earning exactly the minimum wage, less than the minimum wage, and more than the minimum wage but within 125% above the minimum wage, and the employment-to-population rate. Calculations are based on data from the CPS-ORG during the period 1994–2005, weighted using the outgoing rotation weights. Columns 1–3 only include individuals who earn between $1 and $100 per hour. Teens include both native- and foreign-born.

Low-wage workers are disproportionately young, female, and less-educated as well as disproportionately foreign-born. Table 2 reports average characteristics for low-wage workers and for all workers. While immigrants account for about 13% of all workers during this period, they make up almost 23% of minimum wage workers and 19% and 18% of workers earning below and slightly above the minimum wage, respectively. Teenagers and workers who have not (yet, in some cases) graduated from high school are particularly overrepresented among low-wage workers. However, a substantial fraction of minimum wage workers are not young; almost one-half of low-wage workers are at least 25 years old.

Table 2

<table>
<thead>
<tr>
<th>CHARACTERISTICS OF LOW-WAGE WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Earnings:</td>
</tr>
<tr>
<td>Exact MW</td>
</tr>
<tr>
<td>Average age</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(14.3)</td>
</tr>
<tr>
<td>Teen (aged 16–19)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(0.470)</td>
</tr>
<tr>
<td>Young adult (20–24)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(0.409)</td>
</tr>
</tbody>
</table>
The economic impact of immigration: evidence

<table>
<thead>
<tr>
<th>Workers Earnings:</th>
<th>Exactly MW</th>
<th>Below MW</th>
<th>Within 125% of MW</th>
<th>All Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign born</td>
<td>0.225</td>
<td>0.185</td>
<td>0.180</td>
<td>0.127</td>
</tr>
<tr>
<td></td>
<td>(0.418)</td>
<td>(0.389)</td>
<td>(0.385)</td>
<td>(0.333)</td>
</tr>
<tr>
<td>Female</td>
<td>0.588</td>
<td>0.616</td>
<td>0.588</td>
<td>0.482</td>
</tr>
<tr>
<td></td>
<td>(0.492)</td>
<td>(0.486)</td>
<td>(0.492)</td>
<td>(0.500)</td>
</tr>
<tr>
<td>Less than high school graduate</td>
<td>0.461</td>
<td>0.319</td>
<td>0.359</td>
<td>0.128</td>
</tr>
<tr>
<td></td>
<td>(0.498)</td>
<td>(0.466)</td>
<td>(0.480)</td>
<td>(0.334)</td>
</tr>
<tr>
<td>High school graduate, no college</td>
<td>0.278</td>
<td>0.304</td>
<td>0.328</td>
<td>0.316</td>
</tr>
<tr>
<td></td>
<td>(0.448)</td>
<td>(0.460)</td>
<td>(0.469)</td>
<td>(0.465)</td>
</tr>
<tr>
<td>Some college, not college graduate</td>
<td>0.230</td>
<td>0.276</td>
<td>0.255</td>
<td>0.292</td>
</tr>
<tr>
<td></td>
<td>(0.421)</td>
<td>(0.447)</td>
<td>(0.436)</td>
<td>(0.455)</td>
</tr>
<tr>
<td>Sample size</td>
<td>26,407</td>
<td>63,427</td>
<td>162,616</td>
<td>1,948,815</td>
</tr>
</tbody>
</table>


Note: Shown are means (standard deviations) based on individual-level data from the CPS-ORG during the period 1994–2005 for workers who earn between $1 and $100 per hour.

6. RESULTS: MINIMUM WAGES RAISE THE EARNINGS OF IMMIGRANTS BUT DO NOT LOWER THEIR EMPLOYMENT

The regression results in Orrenius and Zavodny (2007) suggest that minimum wages boost earnings among low-skilled adult immigrants and among teens but not among low-skilled adult natives. A 10% increase raises less-educated male and female adult immigrants’ average hourly earnings by about 1.6%. Despite the significant effect on earnings, there is no evidence of an adverse impact of minimum wages on employment among low-skilled adult immigrants. Among teens, in contrast, a 10% increase in the minimum wage reduces employment by about 1.8% when controlling for state-level economic conditions. The results also suggest that, like employment, average hours worked do not fall among low-skilled adult immigrants when the real minimum wage increases.

If immigrants are more likely to work in industries with less elastic labor demand or to work off-the-books, then minimum wage increases might have less of an effect on employment among immigrants than among natives. However, because their earnings rise, standard economic theory dictates their employment should fall.

7. RESULTS: COULD IMMIGRANTS AND/OR FIRMS WHICH HIRE IMMIGRANTS BE AVOIDING STATES WITH HIGH OR RISING MINIMUM WAGES?

One potential explanation of our results within the framework of a competitive labor market model is that low-skilled immigrants’ locational choices may be influenced by the minimum wage. Low-skilled immigrants who have little safety net may move to another state or even return home if they lose their jobs when the minimum wage increases. Indeed, recent work by Bean et al (2007) suggests that undocumented immigrants—who have virtually no access to public welfare programs—were more likely than low-education natives or legal immigrants to move between states during 1995–2000. Also, newly-arriving low-skilled immigrants may be less likely to settle in states with higher minimum wages if their employment prospects are worse in such states. Such endogenous locational choice would explain our finding of positive wage effects yet no disemployment impact from higher minimum wages.

The results suggest that minimum wages indeed influence low-skilled immigrants’ location patterns. The fraction of the state population that is composed of low-skilled adult immigrants is significantly negatively associated with the real minimum wage. The opposite result holds among low-skilled adult natives. The former finding for immigrants is consistent with the theory of endogenous locational choice explained above. The latter finding for natives is consistent with low-skilled natives moving away from states with more low-skilled immigrants (Borjas, 2006) or with state legislatures raising the minimum wage when the share of native-born voters who have little education and low wages increases. Another possibility for our results is that employers who have large numbers of low-skilled immigrant workers exert political pressure to prevent state minimum wage increases.

36 We focus on three groups: less-educated adult natives, less-educated adult immigrants, and all teens (ages 16–19). Less-educated adults here are individuals aged 20–54 who do not have a high school diploma or equivalent. We do not stratify the teen data by nativity because of the small sample sizes for foreign-born teens in many states (most immigrants arrive in the US when they are adults, not as children).
Further, average years of education among adult immigrants in a state is positively associated with the minimum wage in that state. This suggests that raising the minimum wage causes less-educated immigrants to leave (or not move to) a state or attracts relatively well-educated immigrants. We do not find evidence of a similar result among adult natives. The distribution of low-skilled immigrants across states appears to be inversely related to effective minimum wages while the distribution of low-skilled natives is not related to the minimum wage. In sum, immigrants appear to settle in areas with lower minimum wages.

8. LESSONS: IMPLICATIONS FOR THE EU COUNTRIES

Our findings suggest that low-skilled immigrants are likely to choose to live in areas with lower minimum wages. We suspect that employers’ decision to create low-skilled jobs in areas with lower labor costs underlies this pattern. This suggests that other labor market regulations that influence labor costs, or the level of enforcement of labor market regulations, may affect immigrants’ locational decisions. Authorities should be aware that not only will their own country’s policies affect immigration patterns, but so will the policies of other countries. In addition, immigrants and firms will respond to economic incentives when deciding where to locate.

18 September 2007

Memorandum by Professor Richard Pearson

INTRODUCTION

1. I welcome this inquiry which is very timely given the recent rapid growth of inward migration following enlargement of the EU and the increased issuance of work permits. It is important at the outset to recognise that conclusions drawn reflect the fact this growth in migration has taken place in a context of a strong economy. Also that the overall level of migration is not “managed”, rather it largely reflects the rights of other EU and related nationals to come to the UK to work, and the differential work opportunities and wages within the EU. “Managed migrants”, ie those coming with work permits and visas have accounted for less than one in four of all migrants. In setting policy recommendations for the future, consideration should also be given to the longer term appropriateness of the policy, when economic conditions may be different, and in particular if there should be a weaker economy, or even one in recession.

2. This response draws on my extensive research and international policy work relating to employment, skills and migration for the corporate sector, government departments and agencies, the EC and the OECD. Roles include that of Director of the Institute for Employment Studies (IES), Research Director, Employability Forum, and Visiting Professor at the University of Sussex’s Centre for Migration Research (CMR). This is a personal submission and does not represent a response from my affiliated organisations.

3. This submission focuses on selected issues and questions. Supplementary material is referenced at the end of this paper.

THE NUMBERS (Q1)

4. At the outset, it is important to recognise the scale and diversity of the “immigrant population” and the wide ranging contribution they make to the UK economy. Incoming migrants have totalled over 600,000 in recent years, while the numbers coming from the core EU countries are unknown. They include high profile chief executives of organisations such as those at British Airways (an Irishman, and previously an Australian), GlaxoSmithKline (a Frenchman), the London Business School (an American), the Office of National Statistics (previously a New Zealander), the Royal College of Nursing (recently an American). They are a key means of meeting the UK’s skill needs in the public and other service sectors. For example, foreign born nurses, mainly non EU, accounted for nearly half of the new nurses and nearly one in four dentists in recent years, while 35% of all London workers are migrants, as are 60% of those working in London hotels and restaurants. Many highly qualified migrants from the accession countries are often to be found working in low skilled UK jobs. The migrant population also includes refugees; some of whom are traumatised when they arrive, some speak no English, some have no concept of the working in a developed economy; and many did not choose to migrate to the UK. Many of the latter groups experience high levels of unemployment or underemployment relative to their potential.
5. In terms of current policy it is important to recognise that “managed” migrants ie those entering the UK via the work permits or related routes such as working holiday makers, are only a small part, perhaps one in four, of the overall inflow which is made up predominantly of those from the EU who have the right to live and work in the UK.

6. The statistics collected by ONS and DWP provide an overview of the main trends and sectors, but there is little reliable evidence as the wider contribution and impact of migrants on the economy and society. In particular, there is little evidence about the scale and impact of illegal and trafficked migrants, as well as groups such as students working outside the remit of their visas, ie illegally. It has been estimated that they total over 500,000. There is also only very limited evidence as to the nature of the flows of UK nationals leaving the UK, and of non UK nationals returning “home” or moving to another country who are believed to have totalled over 300,000 per annum in recent years.

THE IMPACT ON EMPLOYER BEHAVIOUR (Q3)

7. Employers recruit migrants for a number of reasons. In many cases recruiters are unaware at the outset that potential recruits are migrants who are treated as individuals in the wider pool of applicants. In other cases migrants are targeted in the UK as a response to an employer’s inability to recruit indigenous workers at prevailing rates of pay and working conditions. Increasingly employers have been targeting recruits in their “home country”, the most publicised examples being that of nurses, while bus companies and taxi firms are also recruiting, and offering basic training in the accession countries, where there has been a long tradition of gang masters recruiting seasonal workers form abroad. In some cases the explicit aim is to “exploit” legal and illegal migrants by paying low wages and providing poor working conditions.

8. The availability of a wider pool of recruits will reduce the incentive for employers to train staff, introduce new technology and innovate in the work place, maintaining a “low skills equilibrium” business delivering low value added goods and services. They may also reduce the incentive to reallocate work outside of the crowded south east of the country. Migrants may of course, also aid the introduction of new working practices and innovation, although evidence around the balance of these issues will, by its nature, be hard to discern. The wider pool of recruits may also limit career prospects for more junior indigenous staff, and reduce the incentive for others to train for and enter such occupations. The latter has been a problem in the NHS when, until limitations were introduced, the employment of overseas nationals in training roles limited the career development of junior UK doctors, potentially reducing the long attractiveness of a medical career to UK nationals.

THE IMPACT ON MARGINALISED WORKERS (Q4)

9. It is important to recognise that the rapid increase in migration in recent years has taken place in the context of strong economic growth. While migrants have clearly helped alleviate long standing skill shortages, they have also filled many low skilled jobs, often at very low wages. These migrants are likely to be displacing, and reducing the incentive on employers to recruit and train low skilled, indigenous workers. The UK has large numbers of the low skilled who may, as a consequence, become, or be more likely to remain, increasingly marginalised from the labour market, adding to the demands on the welfare system. This is evidenced by the fact that despite the continuing growth of the economy, and the government’s Welfare to Work policies which are seeking to move more people from unemployment and other benefits in to work, unemployment rose steadily between 2004 and the end of 2006, including, of particular concern, amongst young people. At the same time the overall employment rate of those of working age fell. It is not clear how much of this rise in unemployment is attributable to the steep increase in inward migration, most notably the A8 migrants between 2004 and 2006, however there must be some correlation, even if the precise level is hard to disaggregate. Research by the DWP suggests that this has not been the case but there are severe methodological limitations when trying to draw such conclusions around hypothetical situations.

THE NEED FOR A WORKFORCE STRATEGY (Q13, 14)

10. Establishing a managed migration policy requires a judgement to be made about future needs. However, forecasting longer term skill needs is not possible for many reasons, even for one or two years ahead with any certainty (let alone shortfalls), not least because of normal levels of economic uncertainty. Most critically forecasts will have to factor in the likely extent and impact of not just immigration from the EU, emigration, and migration within the UK, but also other regular labour market adjustments such as changes to wage levels, investment in training, occupational change, and productivity. This is particularly the case given the many major national skills initiatives that are taking place whose aim is to alleviate the very shortages that
migration might otherwise resolve. This highlights the absence of a wider work force strategy for the UK, which is needed not just for the purposes of migration management, but also to inform national, local, sectoral and employer skill and work force strategies, careers advisers etc. At best forecasts can focus on wide margins for very broad occupational groupings occupational groupings such as ‘engineering professionals’ which includes a wide range of non largely interchangeable occupations, and will be unlikely to drill down to the specific types of vacancy such as that of digital engineers.

11. The government then has to translate these “shortage occupations” in to points, and set numbers able to enter in any one period. Given that entrants to Tiers 1 and 2 will have the potential for longer term settlement, consideration will have to be given to longer term needs and commitments well beyond the time horizon of any realistic forecasts, as settlement will impact on population growth and then on to education, health, housing and other aspects of the infrastructure for decades to come. In seeking lessons from Australia and Canada, where a similar, but broad brush approach is followed, it is important to recognise that these have been countries seeking to boost their overall populations.

**THE IMPACT ON EDUCATION AND TRAINING (Q12,15)**

12. Recent migration has clearly had a major impact in boosting the demand for English language training (ESOL), the supply of which has not kept up with demand. While there is an understandable wish to avoid providing a free service for “ESOL tourists” ie encouraging foreign national to come to the UK to receive subsidised English language training, refugees are one group who are suffering as a result, a position accentuated by of the recent changes in policy. While the Home Office seeks to support the integration of refugees in to employment and society, refugees inability to easily and quickly access ESOL training is delaying their integration in to employment and wider society. This is adding to welfare problems and costs, and reducing the contribution of refugees to the economy, who experience disproportionately high levels of unemployment and underemployment.

28 September 2007

**Memorandum by the Royal Society of Edinburgh**

1. The Royal Society of Edinburgh (RSE) is pleased to respond to the House of Lords Economic Affairs Committee Inquiry into the Economic Impact of Immigration on the UK Economy. This response has been compiled with the assistance of a number of expert Fellows of the RSE in the form of a small working party, under the direction of the Vice-President, Professor John Mavor. The working party has sought to answer those questions which it feels it can most authoritatively comment upon.

2. As Dustmann and Weiss (2007) indicate, there are distinctive types of migration, with different implications. Thus, there are economic motives for migration and non-economic ones, in some cases related to natural disasters or persecution (eg asylum seekers). There are both legal and illegal immigrants. Immigration may be temporary or permanent—perhaps the majority of cases falling into the former category. Migration may be circulatory (with frequent movements between host and source countries) especially in the case of those engaged in seasonal work, or transient, with movement to various host countries before fixing on a final destination. There is also contract migration for a fixed term under a working contract or residence permit. Finally, there is return migration, whereby migrants return voluntarily to their country of origin. The economic implications arising from each of these forms are quite distinctive.

Q.1 What are the numbers and characteristics of recent immigrants—age, gender, country of origin, immigration status, duration of stay, skills and qualifications? How do the characteristics of EU migrants differ from other migrant groups? What are the expected future trends for immigration from within and outside the EU?

3. The effect of immigration on the economy depends on a number of factors including the state of the economy, the nature of the immigration and the type of immigrants, but the increase in the scale of immigration has certainly raised its importance in policy terms. According to the Labour Force Survey (LFS), over 10% of the British working age population was born in another country, but many of these are recent arrivals. According to Dustmann and Fabbri (2005), around 8% of all immigrants arrived within the last year they analysed (2004) and around 40% within the previous decade. Furthermore, the composition has changed. While in the 1990s the largest single group were of Irish origin by 2004 those born in the European Union (excluding Ireland, but including those from the eight accession (A8) countries) made up the largest group. A8 immigrants tend to be young, male and single. They are generally in less skilled occupations. Indeed, one
in five of them are in temporary jobs, though a high proportion of them have a qualification. Immigrants are far from homogenous. There are substantial differences in economic outcomes depending on colour and ethnic origin. Thus, white migrants, if anything, fare better than the indigenous white population, whilst Pakistanis and Bangladeshis appear to be particularly disadvantaged.

4. As the Committee has recognised, it is difficult to obtain accurate data on the number of immigrants in the UK and this makes it difficult to draw accurate policy conclusions. There are four main sources of data on flow statistics. First, the Worker Registration Scheme suggests a figure of 486,660 workers have registered to work in the UK between EU enlargement in May 2004 and September 2006, but this figure does not include the self-employed as well as those who fail to register. The second is the International Passenger Survey which is designed to capture those staying more than 12 months, which suggests a figure of 408,000 but the accuracy of the data has been questioned. The third measure is obtained from National Insurance Number Registrations and, although these include the self-employed, these provide a figure of 380,000. Finally, the LFS, which is designed to capture those staying more than six months measures the stock of migrants. The figures quoted above represent lower bound measurements and there is even greater uncertainty over upper bound measurements and Blanchflower et al (2007) conclude, The number of A8 migrants entering the UK since Accession appears quite uncertain from the available data.

5. There is also a problem with the measurements of return migration. There are no procedures in place to capture immigrants who leave the UK. Dustmann and Weiss (2007) suggest, however, that on the basis of LFS data about 60% of male and 68% of female foreign-born still remain in the UK after five years, but there are substantial differences among groups, with the more educated tending to leave early. Improving the immigration statistics should therefore be a policy priority.

6. Using the Worker Registration Scheme data, Gilpin et al (2006) suggest that the UK attracts migrants from countries in Eastern Europe with the lowest GDP per head, and the highest unemployment rates. However, Blanchflower et al (2007) suggest that the Human Development Index (HDI) is an even better predictor of migrant flows. If the low scores on the HDI are temporary, resulting from adjustment to post-communist structures, then we may well expect to see a significant slowdown of migration to the UK.

Q.2 In what sectors and occupations are immigrants employed? How do immigrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers? What determines migrants’ performance and integration in the UK labour market?

7. For Sweden, Aslund and Rooth (2007) find that assimilation is strongly dependent on favourable labour market conditions. Early outcomes affect future performance, so that it is important that immigrants start in good locations from the point of view of employability. Both “when” and “where” matter from a long term perspective. Therefore, attention should focus on the initial entry to the UK and the UK Household Longitudinal Study extension of the British Household Panel Survey will enable understanding of diversity within the population and will assist with understanding the long term effects of social and economic change.

8. There have been a number of studies which have attempted to estimate the economic impact of immigration in the UK. These recognise the likelihood of productivity differences between immigrants and British born individuals, due to differences in socio-economic characteristics, levels of education, demographic composition and English language fluency or lack of it. The skills acquired prior to migration may not be fully transferable to the UK and educational qualifications may not be recognised as equivalent to UK qualifications. Migration may result in assimilation over a period of time and this will be more marked for second and third generation migrants. An alternative is that minorities form enclaves in certain locations, where there may be advantages in serving the needs of other members of the same community, but the evidence suggests that in the long run migrants who assimilate fare better in economic terms. Enclaves may also inhibit migrants from improving their understanding of the English language and adjusting to UK culture. Indeed, the English language is a competitive advantage to the UK in terms of attracting immigrants and should be built upon.

9. Most studies have adopted the so-called spatial correlation approach which focuses on the correlation between immigrant labour inflows and changes in native or overall labour market outcomes. However, as Dustmann et al (2005) point out, the construction of the counterfactual (ie what would have happened without the immigration) involves assumptions which might be challenged. Nevertheless there are some consistent results from the various studies suggesting that outcomes are far from homogenous among the different immigrant groups. Thus in terms of employment non-white immigrants from the Caribbean, Africa, Pakistan and Bangladesh have significantly lower employment probabilities than most white immigrants, who have a

37 The LFS classifies foreign qualifications as “other”, so we have no information on the precise level of these qualifications. But on average immigrants have higher levels of education than the native population.
similar employment experience to the British born white population. Employment rates for non-white immigrants also display much greater volatility than those of British born whites or white immigrants. The rates for non-white immigrants also decline and recover faster over the cycle, suggesting that they act as an inbuilt stabiliser. This is an important point that is often overlooked as it implies that the local workforce can be insulated from some of the labour volatility and economic shocks.

10. Pakistani and Bangladeshi women have substantially lower participation rates than native born white women (with unconditional participation probabilities more than 50% lower). Immigrants have a higher probability of being self-employed than the British born population. Finally, controlling for individual characteristics and region of residence all non-white male immigrant groups have average wages which are more than 10% lower than those of the white British born population. For women the overall differential is somewhat lower. In contrast, white migrants have higher earnings than British born whites (Dustmann and Fabbri, 2005).

11. To what extent these differences are due to discrimination, culture or religion or to genuine productivity differences is less certain. Frijters et al (2005) find that immigrant job search is less successful than that of the native population, but improves over time. Battu and Sloane (2004) find that ethnic minorities are more likely to be in jobs for which they are over-educated, and for Pakistanis and Bangladeshis this is more likely where qualifications have been obtained abroad. Manacorda et al (2006) find evidence that native born and immigrants are imperfect substitutes—a 10% rise in the share of immigrants in the local population increases the native-migrant male wage differential by just 2%, and this could explain why there are few signs of a negative impact of immigrants on local workers. However, an alternative explanation is that immigrants in a specific area simply push non-immigrants out of the locality, thereby defusing the local labour market effects. Thus, Hatton and Tani (2005) find that an increase of 100 in net immigration to a region from abroad generates a net outmigration to other regions of 35. There is some anecdotal evidence in the case of A8 migrants that productivity of immigrants might actually be higher than that of the local employees.

Q.3 Why do employers want to hire immigrants? Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why? What is the impact of immigration on mechanisation and investment in technical change? What are the alternatives to immigration to reduce labour shortages?

12. A 2006 Home Office Survey reports that many employers find that migrant workers have a superior attitude and work ethic and are more prepared to work longer and flexible hours. However, there are also concerns about the conditions under which many migrant workers operate and the Low Pay Commission has expressed concern that some of them may be being paid below the National Minimum Wage.

13. In Scotland and the UK as a whole, the food, agricultural, healthcare and hospitality sectors are dependent on migrant workers and there are considerable benefits to employers from employing migrants in sectors which face strong competition from abroad and where profit margins are tight or that even the continuing existence of the industry is in question (Craig, 2007). In addition, migrant workers can fill skilled employment gaps, as has been illustrated by the increasing number of new NHS dentists that are migrants, while migrants have long been a source of supply of doctors to the NHS. Though the data are not recent, a report to the Scottish Executive (Elliott et al 2001) records that in 2000 16.8% of all hospital doctors and 5% of all GPs in NHS Scotland qualified outside the UK. The proportion of hospital doctors had increased from 12.3% in 1990, while the proportion of GPs was about the same as a decade earlier. This evidences that migrants have for some time been an important source of physician supply to the NHS. With the expansion of medical school places in the last two years this position looks set to change.

Q.4 What impact has immigration had on the labour market, including wages, unemployment and other employment conditions of the UK workforce, and has it differed for skilled and unskilled employees? How does the minimum wage affect the impact of immigration?

14. The main market response to removing economic disparities among countries is either labour migration or firm migration, with the location of call centres in low wage countries being a mixed mode. Labour will move from low wage to high wage countries, attracted by higher wages and the greater availability of jobs. If mobility is on a sufficiently large scale then changes in relative supply and demand for labour should increase wages in the low wage economy and lower wages in the high wage economy until the wage disparities net of mobility costs are removed. However, as Dustmann, Fabbri and Preston (2005) note, immigration inflows will change the skill composition of the host country labour force if the skill composition of immigrants differs from that of the host country, so that the restoration of equilibrium implies a need for short-run changes in

38 In the case of Polish immigrants differentials are even larger. See Drinkwater et al (2006).
both wages and employment for different levels of skill or perhaps long-run changes in the economy’s output mix. In the UK, the main impact has thus been to put labour market pressure on low-skilled rather than high-skilled workers. The impact on the wage distribution has been to increase the disparity in that distribution. As theory (Altonji and Card) suggests, the shift in supply of low-skilled workers depresses the wages of unskilled workers but increases the wages of skilled workers, and may increase the return to capital. The overall impact on the average wage should be positive. The econometric analysis in Dustmann, Frattini and Preston (2007) appears to confirm this. If the minimum wage were to act as a floor to this downward pressure then like any “price control”, it could result in the emergence of a “black market” for low-skilled labour. Perhaps the scandals of “gangs” in UK agriculture and fishing reflect this.

15. There is little robust evidence that immigrants have harmed native employment opportunities (See Card, 2005), and despite the introduction of, and increase to the minimum wage in recent years, there appears to have been little impact on employment opportunities in the UK. However, it should be noted that since 2004 a very substantial proportion of A8 workers who have registered have been aged under 24 and since 2004 the unemployment rate among native 18–21 year olds has been rising. Further research is required to investigate developments in the youth labour market in the UK.

Q.5 What is the economic impact of illegal immigration, including on employment, wages and the fiscal balance?

16. We are not aware of detailed research on this in the UK, although there is work in the US looking at illegal immigrants from Mexico. However, the impacts are primarily likely to be felt in low-pay/low-skill jobs and if they were widespread, one might be able to pick them up from inconsistencies in data: eg between various measures of the value of output, or in data on claimant counts in “low-skill” sectors as “legals” are replaced by “illegals”. This latter effect would have fiscal implications as it would reduce income tax revenue and increase government expenditure.

Q.6 What is the economic impact of a net change in the UK population? If there is a net increase, does the impact differ when this comes from higher immigration rather than from changes in birth and death rates?

17. As is well-known, the dynamics of population structure have significant long-term implications for savings and pensions. Indeed, immigration can be regarded as a mechanism for offsetting the adverse consequences of an ageing population in many developed economies, since immigrants are typically younger than the mean of the indigenous population and have higher fertility rates (Drinkwater and Blackaby, 2004). It is worth noting in this respect that the one developed economy where this is seen as less of a problem is the US, and this is due to the impact of immigration flows into the Hispanic community. Birth and death rate effects are likely to be very long term whereas immigration effects would operate more quickly.

Q.7 What has been the impact of immigration on key macroeconomic indicators: GDP and GDP per head, unemployment, productivity, investment, inflation and asset prices especially housing? Do the economic effects of immigration vary over time?

18. To put the current increase in immigration in context, the UK population grew at just 7% over the period 1971 to 2004, which is a much slower rate than in all other EU 15 countries, apart from Germany. Thus, the effect of immigration since 2000 has been to accelerate this growth from a relatively low level. Blanchflower et al (2007) suggest that for this reason, despite the fact that half of the immigrants may have returned home, inflationary pressures are likely to have been reduced and the natural rate of unemployment lowered, with overall benefits to the economy. These potential benefits are, however, dependent on the type of immigrants, the timing of entry and their location in the UK.

19. It is likely that immigration has generally had beneficial effects on key macroeconomic indicators. Immigration of higher skilled workers could raise productivity growth and reduce the natural rate of unemployment by reducing upward pressures on wages. And the beneficial effects of migration on supply are not matched by equivalent increases in demand, since a significant proportion of migrant workers’ earnings are remitted to the home country. The net effect is a reduction in inflationary pressure. It is also true that recent A8 migrants have been less likely to claim benefits, with beneficial effects on government finances. Finally, if higher skilled workers are complementary to capital as previous literature (eg Griliches 1969) has suggested, then skilled immigration may have a beneficial impact on investment.
Q.8 How does immigration affect public finances? Do immigrants contribute more in taxes than they use in public services? As the UK population ages, does immigration affect the shortfall in pension funding?

20. This is a complex area of study, both in terms of the economic impacts as well as wider political and social impacts, and much can depend upon the methodology employed. As we have highlighted in previous answers, immigrants are far from homogenous and while studies undertaken to-date have been able to focus upon the aggregate contribution of immigrants on public finances, decision makers need to be aware of and fully consider the diversity of the immigrant population and their relative performance.

21. Sriskandarajah, Cooley and Reed (2005) found that in terms of tax revenue the foreign-born population makes a relatively higher contribution than the UK-born. This is due to the foreign-born having higher average earnings than the UK-born and being over represented at the upper end of the income spectrum, thereby paying proportionally higher amounts of tax. The key finding from the paper is that the difference between the net annual fiscal contribution (NAFI), expressed as a ratio of revenue to expenditure, for foreign-born and UK-born has been getting larger, in favour of the foreign-born, over recent years. Indeed in 2001–02, despite the UK-born NAFI being net negative, the foreign-born NAFI remained positive. Therefore, the analysis suggests that the relative net fiscal contribution of immigrants is stronger than that of the UK-born, and has been getting even stronger in recent years.

22. Ultimately, there is no evidence to suggest that recent immigrants from the A8 countries have come to claim or receive benefits. Rather, they have come to work and similar conclusions have been arrived at for both Sweden and Ireland.

Q.9 How has immigration affected public services such as health care, education and social housing? How has this varied across the country?

23. In addition to the answer to question eight, the contribution that immigrants make to the provision of public services in the UK has to be considered (Sriskandarajah et al). Immigrants are disproportionately employed in those sectors involving public service provision. This can be emphasised by the fact that in 2003 29.4% of the total number of doctors employed in the UK were foreign-born (Sriskandarajah et al), though the proportion is evidently much higher in England than in Scotland.

24. Immigrants face many hurdles when they enter the UK but it could be argued that it is the housing system and its consequences, rather than employment issues, which pose the greatest difficulties. The question focuses upon social housing but a very significant proportion of migrants rely on the private rented sector. Housing issues in the UK, such as availability, affordability, and conditions may negatively impact upon the UK’s competitive position in attracting migrants in the future.

Q.10 How does the impact of immigration vary across different regions of the UK?

25. Immigrants do not distribute themselves randomly throughout the UK, but tend to be concentrated in certain locations. Home Office figures show that London and the South-East attract the greatest proportion of immigrants. Although, there is little correlation between the relative distribution of migrants and the growth of unemployment.

Q.11 Are there any relevant parallels and lessons for the UK from the economic impact of immigration on other OECD countries?

26. Overwhelmingly, the available data does confirm the view that we have taken, that immigration has had positive impacts.

Q.12 How do differences in migrants’ skills affect the economic impact of immigration? Does immigration fill skill gaps? What impact, if any, has immigration had on education and training? What is the relationship between the Government’s migration policies and labour market policies?

27. Migrant workers are generally in less skilled occupations, though a high proportion of them have a qualification. However, there are few data on the precise qualifications of immigrants. The evidence suggests that on entering the labour market, migrants “trade down” in terms of the kinds of posts that their qualifications suit them for and, therefore, they may improve the overall level of skills in the economy. It is clear that in certain sectors of the UK economy, such as health and higher education, important skills can only
be effectively filled by immigration, particularly in the short term, until there is satisfactory workforce planning. As touched upon in the answer to question three, migrant workers account for almost half of new NHS dentists.

Q.13 How can data on immigration be improved? What improvements are already being put in place? To what extent have “inadequate data” affected public policy? How confident can we be in forecasts of future immigration and how important is it that such forecasts are accurate?

28. As we mention in our answer to question one, there are a number of data sources containing information on the number of immigrants in the UK, but none of these is entirely satisfactory and, therefore, improving the accuracy of immigration statistics must be a priority. More detail in the data collection in terms of the characteristics of immigrants is needed. This brings us on to the important issue of the recognition of foreign qualifications. As we refer to in our answer above, the statistics do not contain information on the precise level of these qualifications. It may be the case that we in the UK are simply undervaluing foreign qualifications, or there may be good reasons for doing so. Whatever the reasons, more precise data on the qualifications of immigrants should be collected so that migration can be more effectively managed. Public policy as well as public confidence in this area will founder unless this is the case. Anecdotal evidence suggests that the lack of accurate statistics has put increasing pressure on local authorities and the services that they provide.

29. There is an important question as to whether survey or administrative routes should be followed to collect better information on immigration. Given that it is often difficult to sample adequately from migrant groups, it is perhaps true that the administrative route is the preferable one. It might be interesting to explore whether the development of ID cards might help in some way to rectify what is currently an unsatisfactory situation.

Q.14 How do the Government’s policies, including immigration and labour market policies, affect the scale, composition and impacts of migration? How will the points system for immigrants from outside the EU operate? How will the Government decide where there are skill shortages in the economy as the basis for its points system? What has been the international experience, eg in Australia and Canada, of such a points system? How will the Government respond to employers asking for non-EU workers to fill low-skilled jobs?

30. What then does all this mean in policy terms? First, the evidence in general supports the view that immigration has had a beneficial effect on the economy overall. Second, some immigrants, notably some of those from ethnic minorities, are relatively disadvantaged in terms of labour market outcomes and may need protection in terms of equal opportunities legislation. Third, experience differs markedly across different immigrant groups, so blanket approaches seem inappropriate. Given the free mobility of labour within the European Union it is not possible to control all immigration. It may, however, be possible to control non-EU immigration if this is thought to be desirable. Thus, a number of countries have guest worker programmes which enable them to obtain a permanent increase in their labour forces without a permanent increase in their population and also to restrict employment of migrant workers to certain sectors or occupations. There are also two types of policy to reduce the incentive for temporary immigrants to overstay. First, defer payment until the end of the contract and deposit payment in an appropriate foreign bank, accessible only when the migrant has left. Second, one can make employers purchase a bond which is forfeited if the worker overstays. Alternatively, one can utilise Mode IV contracts which allow for the temporary movement of service providers between a host country employer and a foreign firm.39

31. Based upon the experience of other countries, notably Canada, it seems appropriate that the UK adopts a points system. However, for the system to operate effectively, up-to-date labour market statistics are needed and the operation of the system will have to be periodically appraised and “re-calibrated”, if need be, to ensure that skills shortages are effectively managed.

32. Thus, there are a number of devices that can be utilised if immigration is regarded as too large but there is no hard evidence that this is currently the case in the UK, and we are not yet in a position to be able to define the optimal degree of immigration.

Q.15 Should more be done to help immigrants boost their productivity in the UK?

33. It is not clear that immigrants are “low productivity” workers. Although, as has been made clear in previous answers, immigrants are not a homogenous group and some immigrants, particularly those from ethnic minorities, are disadvantaged and need assistance and protection in terms of labour market outcomes.

39 On this see Schiff (2007).
34. Again, competency in the English language is an issue here. There could be negative impacts on productivity in some sectors if migrant workers struggle with English and co-workers have to assist them. We encourage the Committee to examine the language constraint and to recommend arrangements to improve the language situation, which would in turn aid assimilation as well as labour market outcomes.

27 September 2007

Memorandum by J. Sainsbury plc

Our use of immigrant labour in retail and distribution areas has grown significantly in the last two years, and indications are that this growth will continue.

We have been able to utilise immigrant labour to improve our business performance by filling pressing gaps in both skilled and unskilled areas.

We look for the same characteristics in a migrant worker to those of a domestic one, and do not set out specifically to recruit them. We seek the highest calibre recruit for each vacancy from the local pool of labour.

The main factors that influence migrant workers into joining Sainsbury’s involve the wage differentials between the UK and their homeland, although a range of other factors play a part. Many workers only join on a short term/temporary basis, whereas a significant number intend to remain long-term.

We have found that migrants from European Union countries tend to stay for shorter periods to earn sufficient money to set themselves up back in their homeland.

In some areas, we have definitely seen a positive shift in culture where migrant workers have been introduced, which has led to a more diverse workforce fostering a more engaged group of workers.

Where we have engaged skilled workers (HGV drivers from Poland, for example), we have had to be creative in arranging their work patterns to allow them to return to their homeland regularly. This has encouraged us to consider the use of flexibility among the whole workforce.

We have found migrant workers to have a very satisfactory work ethic, in many cases superior to domestic workers. We believe that this results from their differing motivations, they want to learn English, or send money home to their families. They tend to be more willing to work flexibly, and be satisfied with their duties, terms and conditions and productivity requirements. In the long term, this could have a positive effect on their domestic colleagues.

Language barriers are a disadvantage, and migrants understanding of health and safety requirements are naturally a major concern. Here, again, we have had to take a very flexible approach by adapting our communications and signage. Placing migrant workers among English-speaking colleagues and using fellow workers as interpreters has proven useful.

There has been a little limited Trade Union resistance locally to the use of migrant labour, on the basis of “local” jobs being filled by migrant workers.

We anticipate that the use of migrant workers in the future will increase within Sainsbury’s, as the UK population declines, and it will also help us, in part, to address the problem of an ageing population.

We do find that it appears that there are gaps in the provision of support services to migrant workers, or barriers to them accessing the services. Generally, better provision needs to be made for migrant workers in terms of advice on housing, banking, language and cross-cultural awareness.

30 September 2007

Memorandum by Mr Anthony Scholefield

1. The argument of this paper is that the impact on the wealth of natives of the economic effects of immigration is more important than the small effects on the total GDP of existing natives, but that there is a substantial impact on the distribution of income among natives.


3. The issue of the impact of immigration on wealth is rarely discussed. It is this—when an immigrant worker arrives without capital and earns the same as the average native worker, that means the wealth of the country is being shared among more people and, therefore, wealth and capital per head are reduced and the native suffers a loss of wealth and a lower ability to produce income.

How can an immigrant worker finance his initial stake in society—the same amount of wealth that the native workers have been building up over generations and centuries?
How is the loss of wealth to the native to be made up? Is it possible to make it up?

Much of the debate on the effects of migration in such areas as “the public services” and housing is inchoate because it does not have an intellectual framework.

4. The fundamental economic benchmark relating to the economic effects of immigration is that put forward by the National Research Council40 of the USA, which states that “if immigrants have exactly the same skill distribution as domestic workers and if they have brought sufficient capital with them to maintain the US capital/labor ratio, then natives will neither benefit nor lose from immigration”.

5. From this, my analysis (using 2004 figures) concludes that immigrant workers who bring £141,000 of capital per head into the UK (ie the amount of total British wealth divided by the total number of British workers), or £282,000 for a family of four; who make no foreign remittances; and who have at least the mean average skills of natives can possibly be of economic benefit to native Britons (this excludes fiscal and national identity costs).

The average migrant worker contributes only £2,235 to the annual increase in the wealth of the country (£988 after foreign remittances).

6. Immigrant workers without £141,000 of capital must have that amount of capital instantly provided for them, or else they crowd in and appropriate part of the wealth of natives.

7. To answer the question, what should an immigrant earn in the UK in 2006 to add to GDP per head, an estimate is attached showing it should be £67,000 per annum for a family, exclusive of fiscal and cultural costs.

WEALTH AND IMMIGRATION

1. The argument as to the effect of immigration on native wages is binary: either the wages of competing natives fall after the arrival of immigrant workers or they do not.

Free market economists, such as those at the National Research Council of the USA [NRC] and Professor Borjas,41 believe that the wages of workers competing with immigrants do fall, and indeed this is the basic law of supply and demand; but they also appear to believe, without much analysis however, that the process of capital adjustment means that the capital–labour ratio is subsequently restored, and that wage rates return to pre-immigration levels but not above that level. This argument has never been properly worked out and the likelihood is that the capital adjustment process will not provide more than a fraction of the £282,000 of wealth required by each immigrant family.

The alternative argument—that wages do not fall, and that the effect of increased supply has no effect on price—runs counter to the analysis of the American experts.

However, if we take the view that immigration has no depressing effect on native wages, then, as Borjas indicates, we are in for a shock:

. . . there is no immigration surplus, if the native wage is not reduced by immigration.

In other words, if some workers are not harmed by immigration, many of the benefits that are typically attributed to immigration—higher profits for firms, lower prices for consumers—cease to exist. As I pointed out earlier, no pain, no gain.

This also has further interesting effects since if wages of competing natives do not fall, there can be no extra returns to capital following immigrant-induced fall in wages, no capital adjustment and, therefore, immigrants’ capital must be appropriated from natives. Those who say that there is no fall in wages when the supply of workers increases should be asked to explain where the capital requirements of immigrants are to be generated.

2. In this submission, it is assumed that immigrants do not bring capital with them. It is also assumed there is a free market, constant returns to scale, and existing investment is exactly right for natives. It assumes each worker has one dependant (as the current UK has). It does not consider fiscal or cultural costs.

3. The argument is that any addition to the population, whether through increased fertility or immigration without capital, must require capital and wealth to be provided for the newcomers. Either this is supplied by the newcomers alone after their arrival (in which case, assuming wages similar to those of natives, they can never catch up with natives, who have already accumulated wealth) or it is appropriated from natives, by a process called “assimilation”, and apportioned to newcomers, in which case the natives suffer a loss of wealth.


41 All references to Professor Borjas refer to George J Borjas, Heaven’s Door, Princeton, N J: Princeton University Press, 1999.
In one case, newcomers never catch up with natives and so cannot add to natives’ wealth; in the other, the natives suffer an outright loss of wealth.

The only exception to this would be if newcomers were so skilled or so wealthy that they could provide for themselves the wealth the natives have accumulated over generations and centuries. Such newcomers to the USA and Britain do exist, but they are few in number. Only five out of 582,000 new arrivals in Britain in 2004 came under permits issued to persons “of independent means”. As for the USA, in *The New Americans* the NRC quotes data from the US Immigration and Naturalization Service, showing that in 1995 10,465 visas were available for allocation to investors and their families, but only 540 were taken up—within an immigration total of 720,461.

4. The subject of the cost of immigration cannot be discussed without also discussing the costs of emigration. All the arguments put forward for the benefits of immigration are also arguments to discourage emigration. Indeed, more so since there are generally cultural and transitional costs in admitting one immigrant which do not apply when one emigrant is discouraged.

5. Most economic discussion on migration has concentrated on the impact of migration on income or GDP; but this is only part of the picture.

To take a simple point, all that is reflected in GDP figures for housing is the annual addition, which in Britain is around 135,000 houses (net) per annum, plus the cost of repairs, etc. The existence of 20 million houses plays no part in GDP calculations, but does play an immense part in wealth and “standard of living”. All other “created assets”, such as roads, schools, factories, etc, play the same role.

To consider the standard of living of a country’s inhabitants, we must not only take account of the income and expenditure account, or GDP, but also the wealth or balance sheet. Standard of living does not depend solely on GDP: it also depends on the use of the accumulated wealth, such as houses, buildings, roads, factories, water supplies, power stations and a myriad other items. These are not reflected in GDP, except in the form of marginal annual additions.

Income and wealth are, of course, closely interconnected, with more income increasing wealth, and wealth in turn helping to increase income.

As the great American economic journalist, Henry Hazlitt, wrote:

> Almost the whole wealth of the modern world, nearly everything that distinguishes it from the preindustrial world of the 17th Century, consists of its accumulated capital.

6. Here are some relevant figures:

The wealth of the British people was estimated by National Statistics to total £4,245 billion in 2004 (this excludes consumer durables, except houses, and it also excludes land).

The accumulation of capital is dependent on many sources: the intensity of the labour force, numbers, skills, time, efforts, technology, entrepreneurial skills, etc. What we have to do is isolate the impact of migratory labour on capital accumulation.

Total fixed capital formation in 2004 was £190 billion, and capital consumption was £123 billion. This meant a net addition to capital stock of £67 billion, or 1.58% of wealth. In other words, the wealth of the UK amounts to roughly 60 years’ worth of capital additions.

Some of this wealth—for example, machinery—depreciates quickly, but other capital stock has been accumulated over centuries, such as Oxbridge colleges, railways, dams, sewage works, etc. In the case of dwellings, there were 20.9 million in 2003, including a net addition of 134,000, or an addition to the capital stock of 0.64%, which means the capital stock is about 150 years’ production. The *Independent* newspaper once calculated—and it seems a realistic estimate—that 95% of British roads were laid down before 1900, and, of course, the same applies to railways.

With 30 million workers in Britain, one can say that the total wealth per worker is £4,245 billion divided by 30 million, which is £141,000 per worker. In the following calculations, each worker is assumed to have one dependant.

Each worker contributes £2,235 per annum (£67 billion divided by 30 million) to improve the country’s capital, taking his share of capital additions either direct or via enterprises he works in.

7. The arrival of a migrant worker means that he instantly requires £141,000 of capital in order to bring his stock of wealth into line with that of natives, yet he contributes (assuming he is an average worker) only £2,235 per annum to capital formation. If the newcomer does not instantly supply the £141,000 capital, there is wealth dilution for natives.
A further point is that overseas remittances from Britain totalled £3.8 billion in 2003. If the foreign born constitute 10% of the workforce, as estimated by the Home Office, they should contribute 10% of £67 billion to capital formation, which is £6.7 billion; however, if the £3.8 billion of remittances is attributed solely to the foreign born, then their contribution to capital formation is only 44% of the £2,235 required, or £988 per worker.

One can consider the matter like this. A native worker has a capital bank account of £141,000, and adds £2,235 to it each year. A migrant worker has a capital bank account of nil and adds £988 per annum. It takes the immigrant 150 years (ignoring interest effects) to accumulate the capital the native has at the outset. In those 150 years, the native adds a further £336,000 to his capital bank account, making a total of £477,000.

Of course, a small number of high-earning migrants will pay for their requisite stock of wealth of £141,000 immediately or over a very short period; but the average immigrant, who, according to Home Office estimates, earns the same as natives, contributes only £988 per head per annum to the £141,000 required to bring him up to the native’s wealth. Moreover, the native worker is already backed by £141,000 and is adding £2,235 per annum, so the wealth gap is widening.

The conclusion is that only those immigrant workers who a) bring in £141,000 of capital per worker with them, b) make no foreign remittances, and c) have at least the mean average skills of natives do not dilute the wealth of natives.

8. What happens when the immigrant worker does not have £141,000 of capital with him? We then have the phenomenon of “crowding-in”. Immigrants use dwellings more intensively; they overload transport, water resources and all the other accumulated capital (we assume the native economy is in equilibrium). Production per head decreases, because there is capital dilution and so each worker has fewer “tools of production”. As the National Institute Economic Review (No 198, October 2006) pointed out: “For each extra pair of hands income rises less in proportion because there is no extra capital.” This diverts some capital from the job of intensifying the wealth of natives to that of supplying the needs of immigrants—either voluntarily, by the means of capital readjustment described below, or through government taxation. So, the increase in the capital backing of the natives is reduced, and there may also be some diversion of natives’ consumption into supplying capital to immigrants. Immigration, therefore, reduces the wealth and consumption of natives.

Thus, not only is the per capita GDP of the new, combined workforce of natives and immigrants reduced below the previous per capita GDP of natives by the effects of immigration without capital, but so is the accumulation of the wealth of natives, their standard of living, and also, therefore, their future production.

The NRC and Professor Borjas use such words as “assimilation” and “capital adjustment” to describe the merging of immigrants into the economy. In fact, the process is one of appropriation of capital from natives, either by means of taxation or through diversion of capital. While the appropriation of capital for immigrants in housing, education, etc may be visible in extra taxation and council taxes, diversion of capital is less obvious, though it is no less powerful.

The diversion of capital investment occurs as capitalists re-rank the profitability of investments after immigration. Where increased returns are available because of immigration, some investment will be made in these areas and, therefore, some investment will not be made in the lower-return areas that increase native wealth or production. Of course, one reason why there are lower returns in some areas is that native wages and spending power have been depressed by immigration, so native workers who are in competition with migrants suffer not only from lower wages but also from diversion of capital.

This phenomenon is similar (though more accentuated) to that engendered by an increase in the native population of workers through increased fertility. It also suggests why the employment of non-workers in the native population (the unemployed, women workers, the retired) is so beneficial, as their employment is a pure gain, since, as dependants of the workers, they are already users of capital. The transfer of a person from being a dependant to a worker means there is an extra contributor to capital formation each year but no extra requirement for wealth use, except for the tools of production.

9. Up to now, the analysis has been largely static, with capital and wealth regarded as fixed. It is necessary now to look at the dynamic effects on capital and wealth.

Any arguments that migration benefits native workers centre on the increased returns to capital following falls in the wages of competing native labour, which create a fresh demand for workers and a new equilibrium, with higher levels of capital and employment (but not higher amounts of capital per head).

It should be noted that the leading American academics, such as the NRC and Professor Borjas, do not claim that the increased returns to capital will do any more than restore native wages to the pre-immigration level. In its second major study, entitled The Immigration Debate, the NRC stated: “We are not, of course, suggesting that immigration caused an improvement in real wages.” This fits in logically with the NRC...
analysis quoted earlier, demonstrating that, once immigrants acquire skills and capital similar to those of the natives, the economy will simply enlarge pro rata.

This must be the logical conclusion.

Furthermore, the NRC states:

As already mentioned, in the short run the influx of new labor is likely to depress the capital–labor ratio before it is restored through new investment. If the capital stock is disproportionately owned by native-born residents . . . then native-born owners of capital will benefit temporarily from higher returns to capital. Indeed, it is this higher return to capital that (in part) is thought to induce an increased volume of investment that ultimately restores the capital–labor ratio to its pre-immigration level.

The theory of capital adjustment makes it clear that money taken away from native workers is used to fund the capital required by immigrants. Capitalists are an intermediary in this process.

The argument that immigration benefits natives through the mechanism of capital adjustment has formidable hurdles to surmount. To start with, nearly all economic theorists believe migration in the short run, with capital fixed, reduces the earnings of natives and increases the return to capital.

In its study, the NRC outlines the mechanism by which migration restores the capital–labor ratio: by initially depressing natives’ wages, increasing returns to capital, drawing in more capital, and thus establishing a new equilibrium. In other words, for native labour earnings to stabilize, they must first fall. This seems a wayward path. Nor is there much academic support for it. As the NRC reports: “The second key point—the impact of immigration on capital formation—has been left largely to assumption and speculation.”

In any event, the capital adjustment process centres on restoring the amount of tools of production, not on total wealth.

To say that immigration benefits natives in Britain today, the following logical hurdles must be cleared:

1. The immigrant must accumulate the same amount as the average wealth held by native workers. This figure, in 2004 in Britain, was estimated to be £141,000 per worker.
2. The immigrant must then pay interest on the wealth appropriated from natives (or elsewhere) to support him for as long as it takes him to accumulate the requisite £141,000.
3. He must then also match the further capital additions generated by native workers during the period when the immigrant is generating his stake capital of £141,000 (plus interest). (The native worker adds £2,235 per annum.)
4. Only then does the immigrant reach a point of equality of contribution with natives. For him actually to benefit natives, he must generate a further increase in capital, beyond the native’s yearly increase in capital that he must match.

There are two sources (excluding non-measurable costs and benefits) of an immigrant’s contribution to wealth accumulation:

— savings by the worker out of his own wages directly or in the form of profits to the enterprise in which he is employed; and
— savings by capitalists out of the extra returns to capital, due to a fall in the wages paid to native labour.

By definition, the first of the sources of contribution (for the average worker) can only be item (3) above, less overseas remittances. So the whole burden of generating the remainder of the wealth required in items (1), (2) and (4) falls on the added return to the extra savings of capitalists, which, of course, are also reduced by the lesser savings now being made by native workers out of their reduced wages. (Workers are also capitalists in relation to their own savings, pension funds, etc).

Professor Borjas also notes:

as the capital stock inevitably adjusts to the changed economic environment, the immigration surplus will tend to become smaller and smaller and, in the end natives may be neither better off nor worse off because of immigration.

So, for natives, the whole process of immigration means initial losses, immense dislocation, reduced production per head, a reduction in the standard of living due to wealth dilution, with the ultimate result that the capital–labor ratio is restored to its pre-immigration level—or, put another way, “as you were”. This is not a good deal for natives.
10. Professor Borjas calculates that the 10% of the US workforce that is immigrant in 1995 would, in his central projection, generate an increase of 3% in the total income of capitalists in the USA at the expense of labour. Conveniently for calculation, this is approximately 1% of US GDP (capital takes about one third of US GDP).

If one transposes this extremely rough calculation to the UK, which also has an immigration labour force that totals 10% of the whole and a similar split in returns between capital and labour, 1% of the UK GDP in 2004 would be £9 billion. This is the amount workers lose to capital. Approximately 50% of capital’s returns are used for capital formation, so, following Borjas, one could generally estimate the increased capital formation due to the immigrant-induced fall in native labour wages to be about £5 billion.

The target required for immigrant wealth to match native wealth is 10% of the total national wealth (remember, immigrants are taking care of the £2,235 annual increase required out of their wages and enterprise profits, unless they are making foreign remittances), which is £424 billion; at £5 billion per annum, this would take 85 years to reach—85 years to achieve equality with natives.

However, there are three further problems.

The first is a simple interest effect. It is clear that the interest effects on £424 billion alone would swamp the £5 billion capital formation.

The second problem is that, as Borjas points out, the immigrant surplus, which causes distribution from native wages to capital, shrinks as immigrants and their children take up native skills—in his example, the skills of US workers.

Third, as the immigrants become better equipped with capital (at £5 billion per annum) this also shrinks the immigration surplus and the extra returns to capital caused by immigration. As Borjas says, “the immigration surplus will tend to become smaller and smaller”.

Simultaneously, there will be a fall in savings by native workers and this should be deducted from the amount available to generate capital adjustments.

The theory of capital adjustment by which the labour–capital ratio is restored is speculative and involves very long-term projections to recover initial losses and probably never does so. At best it restores the status quo ante. What is certain is that there is immediately a fall in native wealth and capital per head and, therefore, ability to maintain earnings and standard of living.

Anthony Scholefield
(This evidence is submitted on an individual basis)

Estimate

What should a migrant earn in the UK in 2007 to make a contribution to the economy?

Migration Watch calculates (Briefing Paper No 1.11) that the required income “to make a positive contribution to GDP per capita” is about £27,000 per annum (2006). Migration Watch is to be congratulated on making an estimate, and this study has followed its methodology in part.

The Migration Watch estimate is calculated in three parts:

1. The amount of UK GDP classified by National Statistics as “compensation for employees” in the year 2003 was £613 billion and there were 27.6 million workers. This gives average earnings per worker of £22,200. There is also earned income included in the category “mixed income”, but this is ignored for these rough calculations.
2. This is then increased to 2006 rates by allowing three years of wage inflation at 4% per year, making roughly £24,850 per annum.
3. Migration Watch then allows a 10% margin requirement for the costs of additional infrastructure at £2,485 per annum, making £27,335. (Migration Watch rounds this to £27,000 per annum.)

All the income calculations seem reasonable, but a 10% margin for the costs of additional infrastructure is not realistic and there seems to be no basis for using this figure.

This study shows that a worker requires instant wealth of £141,000 on arrival (2004 figures), so the question is to determine how many years should be allowed to pay this off and, second, the rate of interest that should be imposed.

For this exercise, we have taken an interest rate of 3% and spread the cost of financing the instant wealth over a working life of, say, 35 years. These are, of course, assumptions only.
In order to do the calculation, we must first bring our wealth figure for 2004 up to date for the end of 2006. (It will be noted that this figure was originally at 2003 prices in the National Statistics tables.) So, three years of inflation need to be added to bring the £141,000 up to 2006 prices. This can be estimated at 9%, making the figure £153,600. There have also been two further years of capital additions, which, we will assume, were at the 2004 rate of 1.58% of wealth. These additions add a further, say, 3%, or £4,500, making total wealth per head at the end of 2006 around £158,000 in 2006 prices. We thus now have the total wealth at the end of 2006 in 2006 prices per worker.

Compound interest tables inform us that, to pay off £158,000 with an interest rate of 3% over 35 years, there must be a yearly payment of capital and interest of £7,300. So, instead of the £2,485 per annum estimated by Migration Watch, the real figure to be added to average earnings is £7,300. The income required to be earned by a migrant is, therefore, £22,200 (the average earnings in 2003) plus 12% wage inflation of, say, £2,650—which totals £24,850—plus £7,300: this equals £32,150. Looking at Inland Revenue taxation figures for 2004–05, the latest year available, 5,769,000 out of the 27,020,000 taxpayers who paid tax on earned income from employment and self-employment earned over £30,000 per annum (or 21.35% of taxpayers paying tax on earned income).42

So the calculation is that an immigrant would have to be in the top 20% of earners, with taxable earnings in 2006 of £32,150, for him to contribute to increasing the average per capita GDP of natives.

Should foreign remittances be made, these would have to be added to the above figure. We saw earlier that, in 2003, £3.8 billion was remitted abroad. This means the average remittance per immigrant worker is £1,247 per annum; £32,150 plus £1,247 makes a grand total of £33,397.

When considering family migration, a family of four requires £282,000 (in 2004) of instant wealth in the original calculation. The requirement for income is, therefore, £33,397 x 2 = £66,794, ie double what an individual worker requires.

These calculations leave out any fiscal costs, transitional costs and long-term national identity costs.

October 2007

**Supplementary memorandum by Mr Anthony Scholefield**

This submission addresses particularly question 8 in the Call for Evidence “As the UK population ages, does immigration affect the shortfall in pension funding?”

1. The terms used in this question need some definition. The UK population has been ageing since at least the last third of the nineteenth century as fertility began to fall.

It is not a new phenomenon.

Pension provision in the UK is partly public and partly private. Public pension provision is essentially supplied by current general taxation as no proper fund was ever set up following the establishment of old age pensions. One can recall Aneurin Bevan’s remark that the great secret of the National Insurance fund was that there was no fund.

Private pension funding is effectively an individual’s claim, via pension funds, on income and wealth in the private sector, possibly overseas.

2. In principle, the arrival of a migrant worker who works for the whole of his working life and claims a public pension will simply be the same as any other worker paying tax in his working life and drawing a public pension in his retirement years—all into and out of general taxation.

An immigrant’s private pension arrangements depend on his contributions. If they are high, he will have a good pension. If they are low he will have a poor pension.

3. “The shortfall in funding” would appear to refer to the obligation of the government to pay for state pensions for an increasing number of pensioners in relation to workers, a change that has been going on since the old age pension was introduced. The question, therefore, is what’s new—other than a greater burden on general taxation?

4. The shortfall in pension funding, as applied to private sector pension arrangements, refers to the fact that private pensions depend on the profits of the private sector.

If there are less workers in the private sector and more pensioners, then the pensions will, in principle, be lower but surely this is a matter for the private pension provider in calculating his offer to the pensioner.

42 Source: Table 3.6 of Income Tax & Personal Incomes, Inland Revenue Statistics for 2004–05.
5. Two points are worth making. Diversion of workers from the private sector to the public sector reduces profits available for private pensions. The second point is that private pension funding is global and, for the next century, there will be no fall in the global workforce. There is, therefore, no reason why profits available to private pension funds should decline and in the global world there will be no shortfall in private pension funding for at least a century.

6. It should be noted that countries such as Norway and Singapore have established global funds as part of their public pension arrangements. Lee Kuan Yew refers to the necessity to establish proper inter-generational accounting in the public pension provision in Singapore.

7. There are, however, those who promote the idea that immigration will in some way mitigate the effects of population ageing and fund pensions for the existing population. As private pensions are essentially global, they are in particular thinking of public pension provision. Most of the continental EU countries of course rely on public pension provision.

The latest advocate is Franco Frattini, the EU Commissioner for Justice, who is to announce on 23rd October a directive on the admission of skilled migrants to the EU.

Frattini says in a speech in Lisbon on 19/9/07, that immigration is not “the” solution but only “a” solution to a decline in the workforce/pensioner ratio but also that “migrants are a crucial part of the EU’s comprehensive strategy”. Less moderate is the rapporteur in the European Parliament, Lily Gruber, an Italian Socialist who commented:

“Our economies will not be able to survive without immigrant workers. By 2050 one third of the 490 million Europeans will be aged over 65.”

Gruber’s report menacingly recommended “Politicians at both EU and member-states’ level must be able to act by going beyond purely electoral considerations and must adopt a comprehensive, integrated approach to immigration policy” and “emphasise the responsibility of the media in the dissemination of an accurate image of immigration and in countering stereotypes.”

The idea put forward by Frattini and Gruber is called “replacement migration” and is a belief that a fall in the support ratio, that is the ratio between worker and pensioners, is bad, unprecedented, and, second, that immigration will mitigate or solve this.

8. Plainly the rise in the number of inactive or state supported people, whether pensioners or not, is a burden if the state regards it as an obligation to tax to support the inactive.

It always was and always will be. The question is—are we entering a phase where this is a new phenomenon? Second, will replacement migration change the support ratio in any meaningful way?

9. The population of the EU is ageing and will continue to age. This is hardly a new discovery since it has been going on since the middle of the nineteenth century.

Look at the historic figures for the increase in the number of over 65’s.

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<tr>
<th>% over 65’s to total population</th>
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<td>2025 (forecast)</td>
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Broadly speaking the percentage of over 65’s in the total population has doubled in France between 1901 and 2005 and nearly trebled in the UK. During this period there was no requirement for immigration to fill “skill gaps”. The economy and society adjusted to the change. The rate of change is forecast to be slightly greater over the period 2005 to 2050. The change means that some of the economy’s extra growth is diverted to increasing the amount transferred to the over 65 non-workers as it was between 1901 and 2005.
The over 60’s present the following picture:

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<th>% over 60’s to total population</th>
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<td>Japan</td>
<td>7.4</td>
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<td>Italy</td>
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<td>USA</td>
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<td>Germany</td>
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The great surge in the over 60’s in western countries has taken place and the adjustment has taken place already. All countries must age at some point as life-expectancy increases. Otherwise we end up with the constant-fertility scenario as portrayed by the UN study “World population in 2300” where the world population is ten thousand times what it is now (134 trillion) and in some countries the population is standing on each others’ shoulders.

In fact, countries as diverse as China, Turkey and Bangladesh are all ageing faster than the UK although from a lower age level. None of them are planning “blue cards” to attract “highly skilled” immigrants.

So the conclusion is that the EU is ageing, much of the ageing has taken place and has already been adjusted to.

10. The support ratio (of working age to over 65’s) has already dropped dramatically and in the UK is now 4.09:1. Without immigration, the support ratio in the UK is projected to be 2.36:1 by 2050. We should note it was over 10:1 for 1901. To be precise, in 1901 it was higher than this as many over 65’s in 1901 were at work.

11. Is this a problem? What are the solutions? Can replacement migration help?

If no over 65’s worked, there would plainly be a greater burden on workers. In the same way, Britain would have a smaller burden today if it still had the ratio of pensioners to workers as it did in 1901.

12. However, there are plenty of other ways to improve the ratio of workers to pensioners. One source of labour is to encourage the over 65’s to carry on working. Then there are the 5 million of unemployed and non-workers and social security claimants in the UK. The effect of the welfare state has encouraged the idea that the current workforce will be supported in retirement by a future workforce whereas true inter-generational accounting would make the current workforce provide for its own pensions in its working lifetime. This led to the tremendous savings of pre-welfare state Britain or of the current Far-East economies.

13. The idea of replacement migration, that is that Britain and the EU need immigrant workers to compensate for an ageing society, has been described by Anthony Browne, Director of the Policy Exchange think-tank, as “one of the most widespread and comforting self-delusions since humanity believed the sun went round the earth. It is the triumph of wishful thinking . . . over elementary demographics: immigrants are no fix for an ageing society because they age too.”

Every reputable authority has pointed out that replacement migration will not work because immigrants also age. As put by Chris Shaw, the government actuary, in Population Trends in Spring 2001, “Despite much recent attention being focused on migration, it is clear that this is not a long term solution to the ‘problem’ of population ageing.”

“The single reason why even large constant migration flows would not prevent support ratios from falling in the long term is that migrants grow old as well. Although a steady large flow of migrants would continue to boost the working age population, before long it would also start adding to the retirement-age population and a four-to-one (say) potential support ratio would not be maintained.”

As put by Anthony Browne in his book “Do we need Mass Immigration”, “The UN calculates that to keep the UK dependency ratio at 4.09:1 (as in 2000) the UK would need to have 59,775,000 immigrants by 2050, increasing the population to 136 million. At the end of that period, immigration would need to be running at 2.2 million a year, and still growing exponentially. To carry out this strategy of replacement migration, the UK would thus need to import another 130 million by 2100, doubling the population to about a quarter of a billion!” And so on, ad infinitum.

In other words the immigration would be huge and would mushroom indefinitely.

As for the EU, the UN has calculated that to maintain the ratio of pensioners to the working population, it would need to import 674 million migrants by 2050. Nor is that a solution because the 674 million will retire and need further migrants to support them.
14. Among the many organisations which have looked at and rejected replacement migration, perhaps the last word should go to the Home Office [International Migration and the United Kingdom: Patterns and Trends (2001)]:

“The impact of immigration in mitigating population ageing is widely acknowledged to be small because migrants also age. For a substantial effect, net inflows of migrants would not only need to occur on an annual basis, but would have to rise continuously. Despite this and other findings, debate about the link between changing demography and a migration ‘fix’ refuse to go away.”

15. Of course, Frattini says migration is only part of the solution—a partial “fix”. His twenty million immigrants will be 3% of the 674 million the UN calculates are needed to maintain the support ratio and would change the UK support ratio from a projected 2.36:1 in 2050 to 2.43:1—a tiny change. Replacement migration is regarded with contempt by every expert and has the ability to unleash massive cultural costs and disruption throughout the EU but it has one great advantage for the Frattinis and Grubers—it is all part of Europeanisation.

As Frattini says, “If managed well, immigration is one area where our citizens will clearly see the added value of a European approach.”

16. More sensibly, the UK government actuary recommends “measures such as raising workforce participation ratio or discouraging early retirement are likely to remain a more practical tool for increasing the working population”, and “A long term TFR [Total Fertility Ratio] of 2.0 children per woman would produce much the same support ratio at 2100 as would annual net migration of half a million people a year (to the UK) but with a total population of 75 million rather than 120 million.”

October 2007

Memorandum by the Scottish Executive

INTRODUCTION

1. The Scottish Government welcomes the opportunity to contribute to the Select Committee’s Inquiry into the Economic Impact of Migration. This evidence paper will begin by providing some context, describing Scotland’s demographic position, the role of in-migration within this, and the Scottish Government’s attitude towards in-migration. It will then provide responses to some of the specific questions which the Select Committee has set respondents.

CONTEXT

2. The latest estimate of Scotland’s population (on 30 June 2006) is 5,116,900—a rise of 22,100 on the previous year and an increase of 52,700 since 30 June 2001. This recent increase in Scotland’s population has been driven by net in-migration which has more than offset the natural decrease resulting from the number of deaths exceeding the number of births. In mid-2006 18% of the Scottish population was aged under 16 while 19% was of pensionable age (60 and over for women and 65 and over for men) and the remaining 63% were of working age (16–59 for women, 16–64 for men).

3. In the 12 months to 30 June 2006, in-migration exceeded out-migration by 21,200. Scotland also experienced net migration gains in each of the three previous years with gains of around 9,000 in the year to mid-2003, 26,000 (the highest level recorded since current records started in 1952) to mid-2004 and 19,000 to mid-2005. In the year to 30 June 2006, around 53,300 people came to Scotland from England, Wales, and Northern Ireland and around 44,400 people left Scotland to go in the opposite direction resulting in a net gain from the rest of the UK of around 8,900. About 42,200 people (including some asylum seekers) came from overseas and around 29,500 left Scotland to go overseas, giving a record net migration gain from overseas of around 12,700. Migrants tend to be much younger than the general population with 48% of migrants from the rest of the UK and 68% of those from overseas aged 16–34 compared with 24% of the resident population.

4. The latest population projections are based on the estimate of Scotland’s population at 30 June 2004. These projections, based on existing trends and making no allowance for the impact of government policies and other factors, show the total population of Scotland rising from 5.08 million in 2004 to 5.13 million in 2019 before falling to 5.07 million by 2031. Longer term projections for up to 40 years ahead show a continuing decline.

43 Note that the movements between Scotland and the rest of the UK and overseas will not sum to the total net migration as they exclude unmeasured migration and rounding adjustments.

44 Note that the movements between Scotland and the rest of the UK and overseas will not sum to the total net migration as they exclude unmeasured migration and rounding adjustments.
after 2031 to below 5 million in 2036 and 4.86 million in 2044. A revised projection, based on the higher 2006 population estimate, will be published later this year.

5. As a result of Scotland’s unique demographic position as the only country within the UK whose population is projected to decline at such a level, the Scottish Government is committed to attracting and retaining individuals from outwith Scotland to come and live, work and study in Scotland, through its Fresh Talent initiative. While working within the UK immigration arrangements, and targeting only those who have a legal right to work in the UK, the Scottish Government aims to ensure that Scotland is recognised internationally as a great place to live, work, study, visit and do business. The Fresh Talent initiative is widely supported across the Scottish economy, with businesses and commentators recognising the importance of attracting workers into the labour market.

6. This paper will now turn to some of the specific questions.

**Question 9. How has immigration affected public services such as health care, education and social housing? How has this varied across the country?**

7. As the Committee will be aware, responsibility for many public services, such as health care, education, housing and social work, in Scotland is devolved to the Scottish Government. Scotland has a long tradition of welcoming migrants into our communities, and helping them integrate into our communities. As a result, the influx of migrant workers over recent years, particularly those from the A8 countries who have arrived since 2004, has, on the whole, been largely welcomed into communities across Scotland, and most migrants have integrated well. That is not to say that there have not been some pressures on the delivery of some public services in some areas of the country.

8. Looking first at housing, the general impact of migration to Scotland is factored into the Scottish Government’s evidence based on affordable housing need through ongoing modelling. In November 2006, the Scottish Government and Communities Scotland published some new modelling work on affordable housing need commissioned from Professor Glen Bramley at Heriot Watt University. It included a component which took account of the impact of migration on housing availability. The report used data from 2005, and recognised that particular year saw a high number of migrants from EU accession countries. Unsurprisingly, those areas with estimated net shortages on affordable housing were also the areas which were least affordable to migrants. However the model does not specifically distinguish between the nature and type of migration.

9. Migrant workers can apply for social rented housing in Scotland, and this is provided by both local authorities and Registered Social Landlords (RSLs). Migrant workers are also eligible for the low-cost home ownership scheme, Homestake. This scheme allows those on low incomes to access owner-occupied housing through a shared equity arrangement. The new build social rented accommodation and Homestake properties are provided by RSLs, and are subsidised by the Scottish Government under the Affordable Housing Investment Programme, which is administered by Communities Scotland.

10. With regards to homelessness, the Scottish Government has received anecdotal evidence from a handful of local authorities who report an increase in approaches from A8 nationals who may be homeless, as well as an increase in actual homelessness applications from A8 nationals. (Our formal data collection system was updated with effect from April this year to distinguish between foreign EU nationals and other applications and we do not have any objective data on this issue yet.)

11. Local authorities are also anecdotally reporting an increase in the use of the private rented sector in their areas by A8 nationals. Research commissioned by City of Edinburgh Council and the previous administration (and likely to be published by the Scottish Government in the near future) indicates that the vast majority of foreign workers (mainly but not solely Polish) sort out their own accommodation which is principally in the private rented sector, when arriving in Edinburgh. Local authorities are also concerned about the increased vulnerability of A8 nationals staying in poor quality and overcrowded accommodation, and at higher risk of homelessness due to poor understanding of their legal rights. This is both an urban and rural issue.

12. Turning to the health service in Scotland, information from NHS Boards in Scotland would indicate that, in the main, there has been significant migration into Scotland since 2004 from the A8 countries. The island communities have traditionally experienced outward migration of 16–24 year olds. The majority of migrants to the islands are single males who have arrived to take up employment in skill shortage areas.

13. Migration from A8 countries has thrown up challenges in health board areas in relation to communicating about healthcare provision due to language barriers and subsequent difficulties in supporting communities with preventative intervention to avoid acute conditions; the rising volume and costs of healthcare material requiring translation; pressures on numbers wishing to register with dentists and doctors; increased pressures on family planning and maternity services; pressure caused by differences in expectations of public services...
and consequently a need for more interpreters; and pressures on emergency and minor injury services by those not registered with GPs. (For some migrant workers, their mobility which is linked to short term work, has meant that they have not registered with a GP.)

14. Many migrant workers coming to Scotland either come to Scotland with their families, or bring their families to Scotland after the first few months. This inevitably has an impact on the provision of education in local schools which the children of migrant workers attend. Across all Scottish local authorities, in 2006, from a total pupil population of 700,000, there were 2,192 pupils with no previous knowledge of English, 1,975 who had some early knowledge, 2,948 who were developing competence and 2,371 who were already competent in English.

15. The impact of migration on childcare provision appears to vary across Scotland. Some areas, such as Edinburgh, Aberdeen and Highland, have experienced significant levels of migration from the A8 countries, particularly Poland. Evidence of pressures is again anecdotal. Although many of the migrants from A8 countries have not brought their families, early years settings have seen an increase in children from A8 countries, whose first language is not English. Authorities have attempted to support nursery staff, children and parents by using EAL staff and translation services where appropriate. Many of the A8 migrants using early years are reported to be working parents who are seeking childcare to enable them to work. There is limited anecdotal evidence of how migrant workers are impacting on social work services in Scotland.

16. Turning to Community Safety and Antisocial Behaviour issues, there have been particular issues in Glasgow which has seen a very high influx of migrant workers brought over to Scotland by gangmasters from Slovakia, Lithuania and other Eastern EU countries. These workers are likely to be family or extended family units (evidence of multiple-occupancy in inadequate accommodation) and almost certainly they will have their documentation held by gangmasters. These workers are being forced into manual work at minimum or below minimum wages. The vast majority are located in areas of high deprivation for lower cost accommodation (families group together to save on rent). Almost half of the new migrant workers are under 24 years of age and the largest grouping within Glasgow is the Polish community.

17. However, balanced against these impacts are the benefits which in-migration brings to Scotland and the Scottish economy. The media and business community in Scotland is generally supportive of in-migration, recognising the positive impact it is having, and its importance to the future of Scotland’s economy. For example, recently, the Director of Scottish Chambers of Commerce, and the Director of CBI Scotland have both voiced their support for the efforts to attract and retain Fresh Talent in Scotland, and the positive impact which migrant workers are having on Scottish businesses, through the valuable skills they bring, and the contribution they are making not only to national economic growth but also to local economies. In particular, the Fresh Talent: Working in Scotland Scheme, which offers graduates from Scotland’s universities and colleges the opportunity to stay and work in Scotland for up to two years following graduation without a work permit, is proving very important in Scotland’s efforts to attract and retain talented individuals. Not only is it encouraging students to stay on in Scotland at the end of their studies, but also, increasingly, Scottish businesses are recognising the advantage to their businesses of recruiting international graduates who are on this scheme.

18. In some sectors, for example food processing and the hospitality sector, where jobs have been harder to fill over recent years, migrant labour has become essential to keep some companies in business. The arrival of migrant workers in communities across Scotland has helped to boost local economies and, in some parts of the country, particularly rural areas, in-migration of this kind is helping to reverse trends of population decline, and allowing employers to fill employment gaps. For example, in the Highlands, the population has increased in the last four years due to net in-migration. As well as their economic contribution, migrants are enriching local communities, by bringing experiences of different cultures which are being welcomed in many areas.

19. There is also evidence, in some parts of Scotland, that migrants and local migrant groups are working with public service providers to help deliver services to other migrants, for example, by assisting in overcoming language difficulties and in understanding cultural differences. Some are even finding employment within the public sector, including within the health service, where migrants have been filling vacancies in specialist areas, and in the social care sector, where migrant workers have been recruited to work in many private care homes across the country.
Question 10. How does the impact of immigration vary across different regions of the UK?

20. Immigration is an important driver of economic growth; however it is important to note that the evidence base is limited as to the specific contribution of immigration to economic growth in Scotland, and it is also, generally, difficult to ascertain the overall impact of immigration on the economy. However, research by Riley and Wale estimates that immigration to the UK raised GDP by around 3% over the period 1998 to 2005. However, the impact on GDP per capita is generally minimal, as the increased output is accomplished by a larger population.

21. Immigration exerts both supply and demand side effects on the economy. On the supply side, migration increases the productive capacity of the economy by increasing the supply of labour (migrants are more likely to work to be employed relative to the indigenous population, and are often willing to work longer, and more flexible, hours), and, due to their higher levels of qualifications (relative to the indigenous population), raise the quality of labour. As consumers of goods and services they will also raise demand within the economy. Evidence suggests that the recent influx of migrants has allowed the UK economy to grow faster than it would otherwise have been able to do, due to migrants exerting a stronger effect on supply than demand (due, in part, to migrants sending a proportion of their income home, or spending less on durable goods). The stronger supply side effects have dampened inflationary pressures within the economy and allowed interest rates to remain at lower rates than might otherwise have been the case—thus allowing for higher levels of economic growth within the UK.

22. It has been suggested that higher levels of migration to Scotland from the A8 countries has had a negative effect on employment or unemployment, due to the displacement of indigenous workers. However, there is little or no evidence to support this, as employment rates in Scotland are currently at record high levels and are higher than the UK as a whole. Unemployment rates are also at historically low levels and have continued to stay low even since the free movement of people from the A8 countries. There is some evidence, however, that while increased migration does not significantly affect unemployment in a general sense there is some effect on certain groups, particularly those who are less skilled.

23. In light of projected changes in the demographic structure of the Scottish population, migration will be an important factor in driving future economic growth. Recent evidence suggests that, in the long-term (by 2040), based on current population projections, demographic change in Scotland will result in decreases in the supply of labour, and GDP of 9% and 8.2% respectively (below the levels which would have occurred if population size and composition had remained constant). Therefore attracting skilled and productive workers to Scotland will be important in achieving, and maintaining, faster, more sustainable economic growth in Scotland.

Local/Regional Research Studies in Scotland on Impact of Immigration

24. At a national level, migration can be thought about in broad terms as having a generally positive impact on the economy; however numerous studies are being undertaken in Scotland at a local/regional level, which highlight the complexities within this. In order to fully understand the impact of immigration on the economy, it is necessary to recognise the socio-economic interactions around employment, education and skills, public services, housing, social cohesion and rural issues.

25. In Scottish studies on migrant workers, the main reason given by employers for employing migrant workers is local labour shortages, particularly in sectors where the pay is low and working conditions are poor. In addition, they cited a much better work ethic, lowers staff turnover and better productivity among the migrant workforce compared with locals. On the part of workers, the overwhelming reason for coming to work in Scotland is economic, due to lack of jobs and low pay in their home countries. Many of them do not choose to come to Scotland, or particular areas of Scotland. The general impression is that the majority of migrant workers are employed in low paid, often unattractive jobs that locals do not want to do in a time of relatively high employment rates.

26. Research studies in Scotland also illustrate how migrants’ experiences at work, which can often involve low pay and long working hours, has a significant impact on their lives beyond the workplace, showing that labour market and social experiences cannot be understood or addressed in isolation.

49 The Economics of migration, TUC, June 2007.
27. The impact of migration on rural communities is of particular interest in Scotland and research indicates that there may be particular issues related to this, eg housing for migrants in rural areas is more likely to be “tied” than in urban areas. Also, migrants coming to rural areas are arriving in places that have not experienced international migration before, which means service providers are not equipped to deal with the diversity in language and culture. Migrants may be less likely to find the support of an established migrant community in rural Scotland too.52

Question 13. How can data be improved? What improvements are already being put in place? To what extent have “inadequate data” affected public policy? How confident can we be in forecasts of future immigration and how important is it that such forecasts are accurate?

28. Migration is the most difficult component of population change to estimate as there is no comprehensive system which registers migration in the UK. Estimates of migration therefore have to be based on survey data and the best proxy data that exist.

29. The General Register Office for Scotland are currently considering whether to incorporate the recent ONS changes to the ways in which migration estimates are determined, into the mid-year population estimates for Scotland from 2007 onwards.

26 September 2007

Memorandum by the Statistics Commission

This submission sets out the views of the Statistics Commission in relation to question 13 in the Committee’s Call for Evidence:

“How can data on immigration be improved? What improvements are already being put in place? To what extent have ‘inadequate data’ affected public policy? How confident can we be in forecasts of future immigration and how important is it that such forecasts are accurate?”

The Statistics Commission was set up in 2000 to “help ensure that official statistics are trustworthy and responsive to public needs”, to “give independent, reliable and relevant advice” and by so doing to “provide an additional safeguard on the quality and integrity” of official statistics. It operates openly and independently, with all its papers normally available publicly.

How can data on immigration be improved? What improvements are already being put in place?

1. The available statistical information about immigration into the UK (and migration within the UK and emigration from the UK) is weak, particularly statistics for areas with large migrant populations. The Statistics Commission has been pressing for improvements to migration statistics for some years. Our 2003 report The 2001 Census in Westminster contained a recommendation that “the quality of migration data should be addressed with urgency” and noted that the solution “might involve major changes in administrative practice” and that “statistical surveys are unlikely to be adequate”. This position was repeated in subsequent reports.

2. There is currently no satisfactory source which can provide the raw information, at national and local levels, that is required for statistical purposes. Sample surveys, of the kind typically carried out by statistical offices, are not the answer. Only the decennial Census currently has the potential to offer relatively reliable information on population at a local level. The Census acts as a baseline for subsequent years’ population estimates. But these estimates become increasingly unreliable in the latter years of the decade.

3. A “National Statistics Quality Review of International Migration Statistics” in 2003 made recommendations for improving both the estimation of total migration flows to and from the UK, and the allocation of international migration to local areas. Whilst we understand that some progress has been made since 2003, it is also clear that more will need to be done.

4. In December 2006, the Office for National Statistics published the report of the Inter-Departmental Task Force on Migration Statistics which recognised that major improvements were needed and set out a long-term programme for change. The Statistics Commission believes that this report presents substantially the right

52 1) de Lima, P, Chaudry, M, Whelton, R and Arshad, R (forthcoming) Migrant Workers in the Grampians, Edinburgh: Scottish Executive, Communities Scotland
2) de Lima, P, Jentsch, B and Whelton, R (2005) Migrant Workers in the Highlands and Islands, Inverness: Highlands and Islands Enterprise
3) HallAitken (2007) Outer Hebrides Migration Study
path ahead but we would like to see a commitment from Government that it will fund and pursue the necessary work—much of which falls to departments other than ONS. To date we are not aware of a Ministerial commitment of this kind.

5. In January 2007, ONS published a report looking into the feasibility of estimates of short-term migration, and published feedback on this in April. We understand that they expect to produce a set of national level estimates in the Autumn 2007 and at local area level in 2008. Short-term migration is important as it is not normally included in the official figures for migrants (which only counts “migrants” as those intending to stay for more than a year) but can have significant implications for local services.

6. In April 2007, ONS released information on changes in the way migration will be estimated for the mid year estimates from 2007 onwards. However, this largely applies new methods to existing sources which have known weaknesses. A number of local authorities have expressed concerns about this approach.

7. ONS has also carried out research directly with some local authorities to evaluate local population estimates using various local and national sources of information—and has recently published a review of the potential use of some administrative sources in relation to making population estimates.53

8. However, we think that more local area research, particularly to evaluate official estimates against several administrative sources of information in the most problematic areas, should be carried out and published by government. ONS cannot, of course, “negotiate” local population figures; such estimates must all be produced in the same systematic way. The aim would instead be to get a better understanding of the scale, geographical variability and distribution of the problems with population and migration estimates.

**To what extent have “inadequate data” affected public policy?**

9. It is important to have good quality statistics on migration and the population, for policy development and for planning and providing public services. In 2006, the Statistics Commission set out in a letter54 to several Ministers the consequences of not having adequate data in this area:

   — Weak data on migration can lead to inefficiency in the allocation of grants to local authorities, the NHS and other public services. ... some £100 billion a year is being distributed through formulae that are directly affected by migration estimates. We are not in a position to estimate the cost to the public purse.. but it could be very substantial.

   — Mis-measurement of migration could contribute to failure to predict accurately the demand for services from the NHS, in education, social services, etc. Over-provision for such services is wasteful of public money; under-provision is liable to lead to unnecessary suffering. There could also be longer-term consequences in relation to the planning of social housing and other infrastructure.

   — The development of policy on immigration, monitoring the impact of current policies, and the provision of services targeted at immigrant communities may all be adversely affected by weak data.

   — The 2011 Census may be left vulnerable if the migration estimates in the years prior to 2011 are not robust. Essentially, the danger is that if the Census appears to contradict earlier estimates, as happened in 2001 in some cases, there will be a loss of confidence in the utility of the census data.

10. The official responses to that letter were essentially that the Government recognised the need to do more but no specific commitments were made.

11. The Commission also wrote, in 2006, to the then Minister for Local Government urging Whitehall departments to take a lead in finding a solution to the problem of measuring internal and international migration. In his reply, the Minister stressed the Department’s support for the Inter-departmental Task Force on Migration Statistics set up by ONS and the Improving Migration and Population Statistics (IMPS) research programme—though did not make any specific commitment to undertake any work within DCLG itself.

12. More recently (17 May 2007) I wrote to the Times stressing that what is needed is a sound administrative system for recording numbers of people entering the country and their immediate and subsequent destinations and that it is impossible for ONS to produce the desired answers on their own.

13. Much more work is going to be needed to develop new sources of data to achieve better estimates. We have argued that to produce better estimates, ONS will need to receive raw information on people moving into and around the country from the big Whitehall departments: the Home Office, the Department for Work and Pensions, the Department of Communities and Local Government, HM Revenue and Customs, and the Department of Health among others. It is impossible for ONS to produce the desired answers on their own:

54  Statistics of International and Internal Migration, letter to the Minister of State at the Home Office and others, 8 May 2006.
we have observed some reluctance on the part of departments to develop and share information for such purposes and we believe this will need to be resolved among Ministers.

14. There are of course important technical and data protection implications in bringing all the necessary information together; any data on individuals would have to be kept totally confidential. The Statistics and Registration Service Act 2007 which received Royal Assent in July contains provisions that might ease some of the barriers to the statistical use of administrative data in order to create better migration data.

15. The Audit Commission recently recommended more joint working between local and national government, such as sharing data on National Insurance numbers issued.\(^{55}\) We would support any initiative of this type.

16. There are no quick or cost-free answers. Government needs to decide whether the issue is of sufficient importance to justify the commitment of substantial resources to address the technical issues and statutory obstacles. Other countries have solved the problem through the use of integrated population and household registers. There is no reason why the UK could not do the same given time and resources.

17. In the short term, there is a good opportunity to carry out a major experiment of how well existing administrative data held by various government departments (notably the Department for Work and Pensions) could be used to build not only an “administrative census” but also to give arguably much better estimates of migration. If this were done and the results compared with the real census, we would have a much better idea of whether we can get reliable, frequent and up-to-date population and migration figures from administrative source data. This may however require secondary legislation under the Statistics and Registration Service Act. We think the case for developing an approach based on administrative data is overwhelming (subject of course to complete confidentiality being preserved and the data only being used for these statistical purposes). We understand that currently academic researchers are allowed confidential access to the extensive and rich DWP database whilst ONS is not. This seems indefensible given the importance of population and migration data to public policy.

28 September 2007

Memorandum by UCATT

1. UCATT RESPONSE

UCATT is the largest specialist union representing construction workers in the UK and the Republic of Ireland. UCATT represents 125,000 workers in the construction industry both in the public and private sector. Although many of UCATT’s members are direct employees, others work in a variety of employment relationships including short-term, temporary and agency arrangements. In addition, a large number of workers are bogus self-employed working under the CIS4 scheme. A large number of workers on construction sites are migrant workers. As regards the A8 nationals, by far the highest proportion of workers comes from Poland. A considerable number of workers also come from Lithuania and Slovakia.

UCATT is the lead union among the signatories to the National Working Rule Agreement of the Construction Industry Joint Council and the Joint Negotiating Committee for Local Authority Craft and Associated Employees. UCATT is represented on a number of construction industry related bodies by the General Secretary including the Strategic Forum for Construction, Construction Skills Board and the Construction Skills Certification Scheme.

UCATT agrees that “Immigration had a substantial economic impact on the UK”, as stated in the consultation document. It is also true that it is difficult to measure the exact impact, as data on immigration is “hard to come by”. As the UK’s only specialist construction workers’ union our response focuses on the industrial sectors which we represent.

2. In what sectors and occupations are immigrants employed?

There were 1.5 million foreign migrants working in the UK in 2005, which equals 5.4% of all employees. However, it is very difficult to give a figure of the percentage of migrant workers working in the construction sector. This is the case because a very high number of migrant workers work under the CIS4 scheme, the vast majority of them being falsely self-employed. A8 nationals do not need to register for a work permit and National Insurance number and hence are not included in work statistics. Statistical data therefore does not give an inclusive picture as it does not include the vast number of self-employed workers, which is the form of employment large parts of the construction industry relies on.

\(^{55}\) Crossing borders—Responding to the local challenges of migrant workers, Audit Commission, January 2007.
3. Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why? Does immigration fill skills gaps?

The construction sector is highly dependent on a migrant workforce. It is estimated that UK construction output will be 3% annually between 2006–10 following a period of continued growth over the last decade. Increases in output are forecast for all sectors of construction, with the biggest rise expected in public housing, infrastructure and commercial activity. Prominent examples of massive building projects that have been started or will be started in the near future are Heathrow Terminal 5, Thames Gateway, the government programme for schools and hospitals renewals and the Olympics.

By the end of 2006, over 2.5 million people were working in the construction industry. It is estimated that 245,000 additional workers are needed to keep up with industry growth in the next years. This translates into a need of 87,000 new workers each year all over the UK. It is without question that in order to be able to meet this demand the construction sector will continue relying on migrant labour. Clearly, immigration has helped to and will be needed to help fill the skills gap that has arisen in the construction industry.

4. Why do employers want to hire immigrants?

Employers hire migrant workers due to a variety of reasons. Firstly, migrant workers are valued by employers as hard workers. They are often highly skilled, though regularly employed for low skilled and hence lesser-paid jobs. Secondly, due to economic pressures migrant workers often have to accept more unfavourable work conditions than indigenous workers, including lower pay. This situation is made more acute as migrant workers are in an even more vulnerable work condition than British workers, mainly because they often lack sufficient language abilities and do not have a social support network.

5. How do migrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers?

Evidence collected by UCATT officials on various construction sites shows that migrant workers are often paid less than their indigenous colleagues for the same type of work. This is an illegal practice and a number of Employment Tribunals are taking place dealing with this issue. On various sites migrant workers received less pay than agreed under the CIJC Working Rule Agreement both for regular and overtime pay. There were incidents of illegal deductions from pay. In several cases breaches against the National Minimum Wage were found with workers being paid as little as £3 per hour.

In addition, migrant workers working for employment agencies are often used on a long-term basis without being made permanent. They have fewer holidays than permanent workers, often receive no sick pay and work more hours than permitted under the Working Rule Agreement.

6. What impact has immigration had on the labour market, including wages, unemployment and other employment conditions . . . ?

UCATT so far has not come across hard evidence that employing migrant workers leads to a decrease of pay of British workers. Similarly, stories that employing migrant workers drives indigenous workers out of work is only anecdotal and has not been proved for the construction sector.

7. What is the economic impact of illegal immigration, including on employment, wages and the fiscal balance?

Large amounts of tax revenues do not reach the appropriate authority every year due to employers making use of workers who have no legal right to work in the UK. Workers who are employed illegally do so because of a lack of alternatives. It is therefore vital that tougher legal requirements and penalties are introduced for employers so that they refrain from employing illegal workers.

8. What are the alternatives to immigration to reduce labour shortages?

We believe that immigration has a positive impact on the UK economy as a whole. In the near future many Central and Eastern European migrant workers that have come to the UK in the last years are likely to be going back to their home countries where the construction sectors are growing at an increasing pace. We need to make sure that migrant workers continue to fill the labour shortage in the construction sector, and inducements must be created for this necessity by policy-makers and employers.
While stating the continued necessity of migrant workers for the construction sector, UCATT also argues that more apprenticeship places must be offered to young people in the construction industry. Last year there were 50,000 applications for construction apprenticeships but only 9,000 places available. In Scotland there are seven apprentices for every 100 construction workers. In London and the South East there is less than one apprentice for every 100 construction workers. We believe that getting to the level of apprentices that exists in Scotland, throughout the whole of the UK should be the minimum target for the industry.

9. How can data on immigration be improved?

In terms of data on migrant workers in the construction sector, we have been arguing consistently that the Health and Safety Executive must establish the nationality where a worker is injured or killed on a construction site. Currently the Health and Safety Executive does not record this, so it is not known which nationality an injured or killed worker had. Reporting the nationality is a very easy-to-do and straightforward measure, but very effective for identifying vulnerable workers in the UK economy.

22 August 2007

Memorandum by Universities UK

1. What have been the numbers of migrants employed at higher education institutions in the UK over the past ten years, and what has been their share in the total workforce? Which occupations and academic positions have a particularly high share of migrants, and why? How do you see the demand for migrant teachers/academics developing over the next few years?

Universities UK response

The figures on higher education staff collected by the Higher Education Statistics Agency (HESA) do not distinguish between migrants and non-migrants. Information is collected on nationality that may be taken as a broad indicator of migrant status although many non-EEA nationals may not require entry clearance or a visa.

In July 2007 Universities UK published a policy briefing titled “Talent Wars: the international market for academic staff”. Key points from this briefing included:

— In the academic year 2005–06 19.1% of academic staff were non-UK nationals and this group has increased significantly in recent years; 27% of all academic staff appointed in 2005–06 were non-UK nationals.
— There are more incoming academics than academic emigrants from the UK. In 2005–06 there were significant inflows from overseas at lecturer, researcher and other grades, with greater outflow than inflow at senior lecturer/researcher and professorial level. The greater new inflow in relevant areas is welcome but the greater net outflow at senior levels may require monitoring.
— The major countries of origin of non-UK academic staff working in UK universities are Germany, China, the USA, the Republic of Ireland, Italy and France.
— Non-UK academic staff tend to be younger than their UK colleagues.
— Non-UK academic staff are more concentrated in the following disciplines: languages, computer science, mathematics, physics, engineering and technology and social/political studies.
— Students are the major source of new entrants to the academic profession, including increasing numbers of international students studying in the UK.

In terms of future demand there are some key factors to highlight:

— Many countries are engaged in higher education reforms that should result in more effective and efficient systems. It will also mean increased international competition for highly qualified academic staff as countries try to retain them in their own systems or at least to encourage them to return after a period overseas.
— Increased research and development targets in many countries will mean increasing competition for researchers around the world.
— The creation of the European Higher Education Area by 2010 is likely to be another important factor in reinforcing strong international demand for appropriately qualified academic manpower.
There is a need for improved intelligence on the international academic recruitment market. There is a need for greater understanding of the decision-making processes of prospective international staff including more comparative data on the benefits that are offered in different countries. A greater understanding of the underlying influences on staff mobility may assist the UK to continue to compete effectively in the global talent war.

There may be increasing pressure to consider the ethical dimensions of recruiting international staff, particularly from developing countries in areas such as health.

2. Could you please provide a brief overview of the flows (in, out and net) and stocks of foreign students coming to and studying in the UK over the past ten years? What is the share of foreign students in the student population at higher education institutions in the UK, and how has this changed in recent years? Among foreign students, what is the composition by nationality (please distinguish between EU and non-EU, and major groups among non-EU students)? How do you expect the number and relative share of foreign students in the UK to develop over the next few years?

Universities UK response

It is important to distinguish between international and EU student numbers. International is the term generally used in the sector to refer to non-EEA nationals, the term “foreign” or “overseas” is gradually declining in usage. EU and EEA students are generally considered for many purposes as “home” students.

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-UK domiciled students as a proportion of all students at UK HEIs, 1996–2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996–97</td>
<td>109,940</td>
</tr>
<tr>
<td>%</td>
<td>6.3%</td>
</tr>
<tr>
<td>1997–98</td>
<td>116,840</td>
</tr>
<tr>
<td>%</td>
<td>6.5%</td>
</tr>
<tr>
<td>1998–99</td>
<td>117,290</td>
</tr>
<tr>
<td>%</td>
<td>6.4%</td>
</tr>
<tr>
<td>1999–00</td>
<td>122,150</td>
</tr>
<tr>
<td>%</td>
<td>6.6%</td>
</tr>
<tr>
<td>2000–01</td>
<td>136,290</td>
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<tr>
<td>%</td>
<td>6.8%</td>
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<tr>
<td>2001–02</td>
<td>152,625</td>
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<tr>
<td>%</td>
<td>7.3%</td>
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<tr>
<td>2002–03</td>
<td>184,685</td>
</tr>
<tr>
<td>%</td>
<td>8.5%</td>
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<tr>
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<tr>
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<td>%</td>
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<tr>
<td>2005–06</td>
<td>223,850</td>
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<td>%</td>
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<tr>
<td>2006–07</td>
<td>239,210</td>
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<tr>
<td>%</td>
<td>10.1%</td>
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</tbody>
</table>

Total HE student population

1,756,179 1,800,064 1,845,757 1,856,330 1,990,625 2,086,075 2,175,115 2,247,440 2,287,540 2,336,110 2,362,815
THE ECONOMIC IMPACT OF IMMIGRATION: EVIDENCE

MAJOR COUNTRIES SUPPLYING STUDENTS TO UK HEIs, BY LEVEL OF STUDY, 2005–06

<table>
<thead>
<tr>
<th>Country</th>
<th>First degree</th>
<th>Other Under-graduate</th>
<th>Post-graduate taught</th>
<th>Country</th>
<th>Other Under-graduate</th>
<th>Post-graduate research</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>20,540</td>
<td>2,915</td>
<td>22,830</td>
<td>China</td>
<td>4,835</td>
<td></td>
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<tr>
<td>Republic of Ireland</td>
<td>8,055</td>
<td>2,545</td>
<td>12,530</td>
<td>United States</td>
<td>3,170</td>
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<td>Malaysia</td>
<td>7,655</td>
<td>2,130</td>
<td>8,645</td>
<td>Greece</td>
<td>3,115</td>
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<td>Hong Kong</td>
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<td>Germany</td>
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<td>Germany</td>
<td>5,890</td>
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<td>5,410</td>
<td>Malaysia</td>
<td>1,785</td>
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<td>5,735</td>
<td>1,360</td>
<td>4,990</td>
<td>Nigeria</td>
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<td>4,455</td>
<td>Italy</td>
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<td>Cyprus</td>
<td>4,400</td>
<td>985</td>
<td>3,840</td>
<td>France</td>
<td>1,290</td>
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<tr>
<td>India</td>
<td>3,765</td>
<td>965</td>
<td>3,440</td>
<td>Canada</td>
<td>1,245</td>
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<tr>
<td>Nigeria</td>
<td>3,320</td>
<td>710</td>
<td>3,320</td>
<td>Taiwan</td>
<td>1,210</td>
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<td>620</td>
<td>2,230</td>
<td>Republic of Ireland</td>
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<td>2,525</td>
<td>585</td>
<td>2,180</td>
<td>Thailand</td>
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<td>Pakistan</td>
<td>2,430</td>
<td>585</td>
<td>2,085</td>
<td>Mexico</td>
<td>925</td>
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<tr>
<td>Poland</td>
<td>2,270</td>
<td>465</td>
<td>2,015</td>
<td>Japan</td>
<td>875</td>
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<tr>
<td>Japan</td>
<td>2,175</td>
<td>385</td>
<td>1,880</td>
<td>Saudi Arabia</td>
<td>850</td>
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<tr>
<td>Sweden</td>
<td>2,130</td>
<td>350</td>
<td>1,725</td>
<td>South Korea</td>
<td>835</td>
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<tr>
<td>Singapore</td>
<td>2,035</td>
<td>350</td>
<td>1,685</td>
<td>Spain</td>
<td>830</td>
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<tr>
<td>Norway</td>
<td>1,900</td>
<td>325</td>
<td>1,660</td>
<td>Portugal</td>
<td>815</td>
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<td>South Korea</td>
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<td>1,510</td>
<td>Hong Kong</td>
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<td>Italy</td>
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<td>305</td>
<td>1,190</td>
<td>Pakistan</td>
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<td>Kenya</td>
<td>1,640</td>
<td>250</td>
<td>1,095</td>
<td>Iran</td>
<td>680</td>
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</tr>
<tr>
<td>Sri Lanka</td>
<td>1,555</td>
<td>235</td>
<td>1,005</td>
<td>Canada</td>
<td>675</td>
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</tr>
<tr>
<td>Belgium</td>
<td>1,450</td>
<td>225</td>
<td>975</td>
<td>Singapore</td>
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<tr>
<td>Portugal</td>
<td>1,305</td>
<td>225</td>
<td>945</td>
<td>Libya</td>
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<tr>
<td>Finland</td>
<td>1,190</td>
<td>210</td>
<td>875</td>
<td>Egypt</td>
<td>490</td>
<td></td>
</tr>
</tbody>
</table>

Looking to the future continued growth is expected, although it is unlikely to match the growth of the last decade.

In 2004 the British Council, Universities UK and IDP Education Australia produced a report “Vision 2020: forecasting international student mobility—a UK perspective”. The study forecast that the total global demand for international higher education may increase from c.2.1 million in 2003 to approximately 5.8 million by 2020. Within this overall increase demand for international higher education in the higher education sectors of the five major English speaking destination countries (MESDCs—USA, Australia, Canada, UK, New Zealand) may increase from 1 million to 2.6 million.

For the UK share of these projected increases a set of five scenarios were developed to forecast the likely impact of changes in the global international student market. Each scenario incorporated different predications regarding the relative performance of the UK compared to the other MESDCs and the impact on the UK market share. These figures are for both EU and international students as international is used to mean non-UK students in this report.

**Base scenario**—assumes UK performance on attractiveness factors remained constant with changes in demand arising from demographics, economics and participation rates. This forecast suggests there could be 325,000 international students seeking higher education in the UK by 2010 and 511,000 by 2020.

**Optimistic scenario**—assumes the UK will consistently increase its attractiveness. This forecast suggests there could be 400,000 international students seeking UK higher education by 2010 and 870,000 seeking UK higher education by 2020.

**Pessimistic scenario**—assumes the UK will experience a decline in its attractiveness but particularly in the perception of quality. The forecast suggests around 325,000 international students may seek UK higher education by 2010 (a decline on the latest 2003 HESA figures) before rising to 254,000 in 2020.

**Price escalation scenario**—assumes the UK will experience a decline in perception of affordability due to price increases but that numbers seeking UK higher education may increase to 525,000 in 2010 and to 735,000 in 2020. These seemingly contradictory trends may be explained by the view that price sometimes acts as a proxy for quality.

**EU impact scenario**—examines the possible impact of changes in the pattern of demand from students from the expanding European Union. This forecast suggests that European student numbers may rise to 170,000 by 2020.

Forecasts were also attempted for demand for UK higher education delivered outside the UK. Data on current offshore delivery by UK HEIs is limited so the forecasts for this area of activity should be viewed with caution. The research suggests that demand for UK higher education delivered outside the UK may increase...
significantly to 350,000 students by 2010 and 800,000 students by 2020. According to some scenarios this could see the number of students in UK higher education programmes outside the UK outnumber international students in the UK.

The research looked at demand for different levels and forecasts a faster growth rate in postgraduate international student numbers than undergraduate international students. The research attempted to forecast demand for different subject areas with business studies remaining the most popular area and computer science experiencing the fastest growth rate according to the forecasts. Gender demand was investigated and although no attempt was made to forecast gender mix some interesting trends on gender were revealed based on current data.

Another issue examined was the possible impact that increased higher education provision in particular countries may have on demand for international higher education. This aspect was focused on China and India as increased domestic provision in these two countries could potentially have the greatest impact on the UK and result in a significant decline in international student numbers in the UK. Reference was also made to demand for higher education in the UK population and what the ratio of international to UK students may be under these scenarios.

This work is now being re-visited by the British Council in partnership with Universities UK.

Each HEI will obviously also have projections and targets for international and EU student numbers alongside UK student numbers over the next few years. Universities UK is running a research project on the size and shape of the UK higher education sector in the future building in demographic projections but also international and EU factors.

3. How would you assess the economic impacts of foreign students on higher education institutions in the UK, and on the UK economy more broadly? What has been the total income in university fees from foreign students in recent years, and how important are they for university finances?

Universities UK response

International (non-EU) student fees make a significant contribution to higher education funding. In 2005–06 non-EU domicile student fees provided 8% of the total income of the higher education sector in the UK. In 2005–06 the total income of the UK higher education sector was £19.5 billion.

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<tr>
<th>INCOME FROM NON-EU DOMICILE STUDENT FEES—SELECTED YEARS</th>
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<tr>
<td>(expressed as £ thousands in cash terms)</td>
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<tr>
<td>Non-EU domicile student fees</td>
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Obviously there are significant institutional variations in income from international student fees.

International students make a very positive economic impact on UK higher education but they are also very important for academic, social and cultural reasons.

Universities UK has published research on the economic impact of UK higher education institutions and within that work there are the following points in relation to the wider economic impact of international students and visitors to UK HEIs:

- Personal (off-campus) expenditure of international students attending UK HEIs in 2003–04 was estimated to be £1.5 billion.
- Higher education makes a key contribution to business tourism with personal (off-campus) expenditure of international business and recreational visitors to UK HEIs estimated to be just over £106 million in 2004.
- International student expenditure generated £2.4 billion of output across the economy and over 21,900 jobs.
- International visitor expenditure generated nearly £200 million of output and over 2,700 jobs.
4. Do you have any data/information about the share and average working hours of foreign students taking up employment in the UK during their studies?

Universities UK response

This information is not collected. International (non-EEA) students are generally allowed to work for up to twenty hours per week during term-time and without restriction during vacations. Anecdotally a number of international students do work, often to learn more about the UK and to develop their English language skills if necessary. EU students obviously have no restrictions on access to the UK labour market.

5. Do you have any comments on the new points-based systems for managing migration to be introduced by the Government later this year? How will the planned new system affect the number and composition of foreign students coming to the UK, and higher education institutions in the UK more generally? Do you have any specific policy recommendations?

Universities UK response

The new points-based system has significant implications for higher education institutions (HEIs) as recruiters of international students, employers of international staff and hosts of international visiting staff. HEIs will be the highest volume users of the new immigration system.

UK HEIs welcome many aspects of the new points-based immigration system and are keen to ensure it works appropriately and facilitates the mobility of international students, staff and visiting staff to the UK. The system includes welcome measures such as institutional visas, the possibility of tracking visa applications online and the new opportunity for international graduates to apply to stay in the UK to work for up to two years after graduation.

However, a number of the proposals for the operation of the system are not appropriate for HEIs as they have been developed for employers and employees rather than for education institutions and students.

The certificate process for Tier 4 needs to be re-designed to reflect the recruitment and admissions processes of HEIs. The current proposal for one certificate per student will not work for HE and if implemented could undermine the integrity of the new system. There needs to be a more flexible approach for HE to ensure student choice remains in the system.

The migrant reporting timescales and process outlined in the recent sponsorship publication need to be re-considered for HE. They will not work for higher education as they do not fit with the organisation and delivery of higher education. It would be appropriate for the Home Office to adopt the Australian system where HEIs are trusted to monitor their migrants using their own systems.

There is a lack of clarity about the position under the new system of the highly-skilled people who currently enter the UK as academic visitors and sponsored researchers. They will not qualify to enter under Tier 2 as they are not coming to the UK to do particular jobs, they may not qualify for Tier 1 but the current restrictive structure of Tier 5 is not appropriate for these people. A new sub-category within Tier 5 should be created for academic researchers coming to the UK.

There has been no input from the higher education sector to the development of the new IT system underpinning the points-based system despite repeated offers from Universities UK to facilitate discussions between the Home Office and IT Directors from HEIs. This is extremely concerning and against all recommended practice in the development of new systems. The new sponsor management system must be able to receive data from and have an interface with HEIs own systems as currently takes place between HEIs and various agencies. Universities UK would be glad to help facilitate these critical discussions.

There are also likely to be significant new resource costs for HEIs in reviewing policies and processes ahead of the implementation of the new system as well as ongoing costs to ensure compliance.

Universities UK hopes that the new system will not have any impact on the number and composition of international students coming to the UK. The UK is very successful in attracting international students to our HEIs and considering the emphasis placed on international education by the former and current Prime Ministers it would be very unfortunate if the new system affected international student recruitment. We watched with considerable concern the impact of the visa changes in the USA in 2001 and 2002 that led to a significant downturn in international students going to the USA and are only now recovering.
The new opportunity for international graduates to apply to stay and work in the UK for up to two years after graduation is very positive and reflects the contribution that this group of highly-skilled people can make to the UK economy. It should assist in making the UK an even more attractive destination for international students as the provision is currently more favourable than those that apply in Australia, Canada and the USA.

However, it is unclear as to the extent of UK employer awareness of the new provision and unless employers recognise the opportunities it may offer their businesses the provision may suffer if international graduates do not find appropriate employment. Discussions are needed between relevant Government departments (Home Office, DWP and DIUS) as well as with employer organisations to convey information about the new arrangements.

There is an urgent need to begin effective communication both in the UK and overseas about the new system. Overseas it is very important to have effective communication strategies as we know prospective international students often begin to research study destinations many months in advance and gather information on institutions but also country specific requirements. The new system should bring benefits to genuine migrants in terms of a more efficient service but we need to be careful that the perceptions are positive and not that the UK is making it more difficult for migrants or that we are unwelcoming.

4 February 2008