Migration, Skills and Employment

Skills in England Seminar Report

November 2007

Of interest to everyone involved in improving skills and learning opportunities across England
SKILLS IN ENGLAND  
Migration, Skills and Employment Seminar  

The seminar

*Skills in England 2007* highlights the challenges facing policy makers tasked with ensuring that there will be sufficient labour to meet future demand. Given current rates of economic growth and the projected future level of employment this implies, population growth in the indigenous population is unlikely to meet future labour demand. With the accession of East European States to the European Union, and the migration of many people from these countries to England, there has been a boost to labour supply that has contributed to economic growth.

Viewed from the perspective of England as a whole, immigration has provided a range of economic benefits (*e.g.* increased tax revenue, taking on jobs that are otherwise hard-to-fill), but there are a number of uncertainties. These relate to:

- the scale of recent immigration;
- the impact on skills and training; and
- the social costs borne by certain local areas.

With respect to the last point the phrase “gains are macro, the pains are micro” has been used to describe the benefits and costs - in other words, the benefits accrue to the State in general, but the costs are borne by particular individuals, communities, *etc.* - but in reality the situation is very much more complex than the phrase implies.

Given the clear message in *Skills in England 2007* about the need to boost labour supply to meet future economic growth, and given the uncertainty and, very often, hyperbole surrounding the issue of labour migration, the Learning and Skills Council convened a seminar, bringing together experts from academia and the policy community to review the evidence on migration in relation to employment, skills, and training.

The scale of migration

Providing definitive statistical statements about the scale of migration proves exceedingly difficult because there is no comprehensive single source of data. A picture needs to be pieced together drawing upon a number of sources. Professor John Salt, from the Migration Research Unit at University College London, provided a comprehensive statistical overview of immigration trends in the UK.

In a world context, the number of people migrating between countries has increased but the percentage has remained constant at around 3 per cent of the world’s population. The increase in trade flows around the world has not necessarily been matched by an increased movement of people between countries. For most of the world’s population there is either no desire or insuperable barriers to be overcome should they wish to move between countries for whatever reason.

With respect to the UK, the evidence reveals an increase in the number of people entering the country *(see Figure 1).*
In relation to employment, there are several routes through which people can enter the UK. The most important, given the number of people that enter via these routes, are:

- the right of access possessed by nationals of the European Union (EU) or European Economic Area (EEA), unless they are from Bulgaria or Romania in which case there are restrictions upon their entry; and

- the provision of Work Permits to people from other countries. These often relate to highly skilled workers and / or transfers between multi-national companies. Work Permits have contributed to the supply of much needed skills in certain sectors such as the Health and IT sectors.

Whilst there has been a long-term increase in the number of foreign nationals entering the UK – as depicted in Figure 1 – the more recent increase is due, at least in part, to the accession of the A8 countries of Central and Eastern Europe to the EU in May 2005.

Employment, skills and training

The scale of labour migration to England raises a number of issues which various speakers sought to shed light upon, including:

- the types of job migrants are filling;
- whether there was any evidence of job displacement (i.e. foreign nationals taking the jobs of the indigenous population);
- wage effects, with the increase in labour supply driving down wages in those jobs migrants tend to take; and
- the impact upon training if employers see a reduced need to train their workforce if a ready supply of competent workers is available from overseas.

Statistical evidence indicates that, as a proportion of all jobs immigrants fill, these are increasingly relatively less skilled ones (see Figure 2). It is notable that the sharp increase in the percentage of immigrants taking ‘routine’ jobs starts with the enlargement of the EU in 2005.
The type of job immigrants take is very much dependent upon their point of origin (see Figure 3). It is striking to note the proportionately high share of A8 nationals taking lower skilled jobs compared to any other group. So are A8 migrants a relatively low skilled group of workers? Evidence presented in Skills in England 2007 suggests that some A8 migrants have skills in excess of those demanded in their current job, but poor English language skills prevent them from filling more demanding jobs. In many respects this is a transitional problem that can be cured through language training.

A reoccurring message in Skills in England is the need for employers to drive up their demand for skills. A complex issue is how the supply of labour willing to fill low-skill, low-wage jobs affects this goal. This may offset the need to introduce automation or more efficient systems of work organisation – because labour is so plentiful - with implications for productivity improvements. It is known that technical change is skill biased, so if it is not taking place this might well reduce the demand for training and reinforce any low-skill equilibrium. It is impossible to be certain about these trends in the absence of more detailed information about employer behaviour with respect to the employment of migrant labour. Rather the point can be made that whilst there are benefits to employers from their being
able to find people to fill a range of jobs that are otherwise hard-to-fill, there might also be implications for employers' strategic decision making.

There was consensus that there was, to date, little evidence of displacement. With regard to wage levels, little conclusive evidence has come to light as yet that immigration has lowered real wage rates, though economic theory suggests that, other things being equal, a major boost to labour supply should have some effect on wage levels. The National Minimum Wage plays a role here.

**Social cohesion**

Social cohesion was viewed from a number of perspectives:

- the creation of a large ‘underclass’ of poorly paid migrants living in deprived environments;
- the relationship between new migrants, previous migrants, and the indigenous population;
- the impact upon the social inclusion of the currently stock of excluded people.

A few employers – and recruitment agencies – were highlighted as providing unacceptable terms and conditions of employment to their migrant labour. Whilst these employers and agencies were regarded as exceptional, it does raise the spectre of increased labour supply driving down labour standards in some sectors and consequently creating a new group of the working poor. The National Minimum Wage provides a statutory wage floor, but some migrants might have a number of deductions for a range of expenses, such as accommodation and travel, such that little is left over.

The latest wave of immigrants from Eastern Europe have settled in virtually all parts of England, including areas that previously have had little experience of immigration and areas that have a large ethnic minority population and / or shows signs of relative deprivation. In some areas this has created community tensions over the allocation of resources and between population sub-groups. East Europeans, for example, have limited experience of living alongside people whose origins are in, for instance, the Indian sub-continent. In some areas tensions have arisen between the successive waves of immigrants and this proves to be a challenge for policy makers and service providers at a local level. Managing community cohesion has been made more difficult by the scale of recent immigration from Eastern Europe insofar as the numbers entering the country could not be estimated in advance of their arrival.

A final issue in relation to social cohesion is the impact of migration upon the labour market integration of the increasing number of young people neither in employment, education or training. If immigrants are taking jobs at the lower end of the labour they might be squeezing out employment opportunities for the NEET group who are, on average, poorly skilled. Yet the lack of evidence on displacement discussed above suggests that immigration is not a significant determinant of the young people being economically inactive.
Conclusion

Immigration has become an emotive subject and this can stifle open debate. But developing policies to either manage the flow of immigration or settle immigrants once they have arrived requires open debate to allay the fears of the host population. This was the strong message conveyed by those with a responsibility for managing immigration. A number of key messages can be highlighted from the presentations and discussions.

- Some jobs – those for the very highly skilled and qualified – exist in an international labour market and countries are often in competition for these workers. Hence there will always be special arrangements in place for those with the most highly sought after skills.
- Immigration overall has provided a number of economic benefits primarily related to filling jobs that otherwise prove hard-to-fill. This provides benefits to employers and to the State (via increased tax revenues and possibly in moderating wage pressures).
- There is little evidence to suggest job displacement on a significant scale. Immigrants, principally from Eastern Europe, are filling jobs where there is an excess demand for labour.

Given the positive outcomes listed above, there is also a need to consider the uncertainties about migration.

- The effect on employer training behaviour is not yet apparent. If labour is readily available, employers might be less willing to engage in the types of technical or organisational change embodying a degree of upskilling necessary to overcome conditions of tighter labour supply.
- The effect of the above might result in the equilibrium between skill demand and supply being at a lower level than that required to create a high skill, high wage economy as envisaged in the Leitch Review.
- Moreover, it is not known whether immigrants from Eastern Europe will settle in England, move to competing destinations or, as the economies in their native countries experience growth, return. The history of migration is that many people tend to settle despite professing a desire to return, but with the availability of low cost transport this might be less true than it once was.
- If immigrants do return to their native countries then employers in the UK may face tighter labour market conditions with concomitant recruitment problems. This might be exacerbated where employers have failed to invest in the skills of their workforce because of the current ready, albeit possibly temporary, availability of labour.

The aim is to maximise the benefits of migration and minimise the costs, within the policy context established by the European Union that sees the efficient operation of the European labour market as dependent upon the free movement of workers. As noted above, this will only be achieved with an open discussion of the evidence.

The evidence to date suggests economic benefits accruing from the inflow of migrant labour, but attention is being focused upon its effective management with respect to both the quantity and quality of inflows. Hence the continuing limitations on the right of entry to the UK of EU nationals from Bulgaria and Romania, and the planned introduction of a Points Based System applying to those from outside the EU/EEA.