



Immigration and Employment: Anatomy of a media story

by Sarah Mulley

August 2010

© ippr 2010

Immigration and Employment: Anatomy of a media story

Employment statistics released last week have provided an immigration bonanza for the rightwing press. The Express¹ (front page) went for “*Foreigners get 77% of new jobs in Britain as too many of us live on benefits*”. The Mail² (page 2) ran with “*Foreign workers surge by 114,000... but the number of Britons with jobs falls*”. And the Telegraph³ offered “*Record four out of five jobs going to foreigners between May and June*” (sic) – the data actually referred to are for April-June). The Mail and the Express also report a new study by Migration Watch which purports to show that immigration has led to reduced employment in the UK.

This short paper attempts to disentangle the statistics from the interpretation, and to explore how this story came to take the shape it has. By doing so, it aims to draw a few lessons for policy.

So what do the stats actually show?

New ONS employment statistics⁴ show that 28,933,000 people in the UK were in work between April and June this year. This is an increase of 188,000 (0.7 per cent) on the previous quarter (though note that these statistics aren't seasonally adjusted) and an increase of 101,000 (0.4 per cent) on April-June 2009 (a comparison which should deal with seasonal variation). So far, so good – a positive sign of a recovering economy.

The breakdown by country of birth shows that 25,080,000 UK-born people were in employment in April-June. This is an increase of 41,000 (0.2 per cent) on the previous quarter (again, not seasonally adjusted), but a decrease of 15,000 (-0.1 per cent) compared to April-June 2009. In the same period, 3,846,000 non-UK born people were in employment – an increase of 145,000 (3.9 per cent) on the previous quarter, and an increase of 114,000 (3.1 per cent) on April-June 2009. Now you can see why people might be worried.

So, the Express's '77 per cent' and the Telegraph's 'four out of five' is taken from the quarter-on-quarter comparison (145,000 is 77 per cent of 188,000). But these statistics aren't seasonally adjusted, which means that year-on-year comparisons would be more useful. These show an actual *decline* in the employment of UK-born people (expressed in the same terms as the Express/Telegraph headlines, the year-on-year figures show that 113 per cent of new jobs went to non-UK born workers) – something that was no doubt not lost on the Mail when they chose to focus on the year-on-year figures.

So the papers are reporting real statistics. However, there are two other sets of statistics worth looking at – employment by nationality (rather than country of birth), and employment rates (rather than absolute numbers in employment).

Statistics broken down by country of birth disguise the fact that many non-UK born people are actually British nationals (e.g. the children of British servicemen born overseas, long-settled migrants who now hold British citizenship). Helpfully, the ONS

¹ www.dailyexpress.co.uk/posts/view/192697

² www.dailymail.co.uk/news/article-1302112/Foreign-workers-surge-114-000-number-Britons-jobs-falls.html

³ www.telegraph.co.uk/journalists/christopher-hope/7939138/Record-four-out-of-five-jobs-going-to-foreigners-between-May-and-June.html

⁴ www.statistics.gov.uk/pdfdir/lmsuk0810.pdf

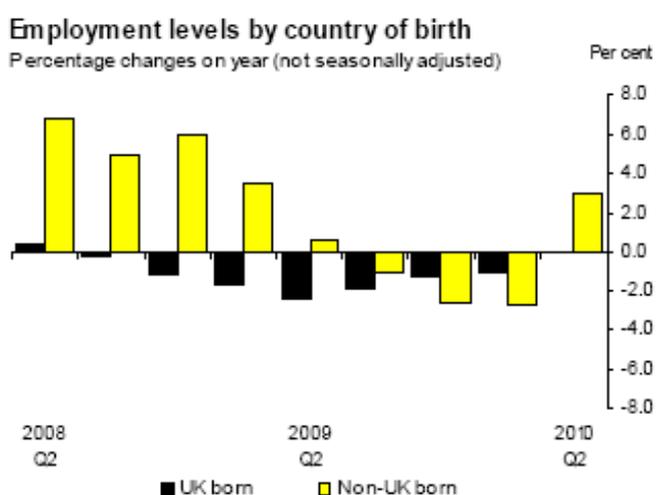
also provide employment statistics broken down by nationality, though these don't merit a mention in the papers (with the exception of a passing reference in the Express).

The same statistics broken down by nationality show that 26,530,000 UK nationals and 2,401,00 non-UK nationals were in employment in the UK in April-June, i.e. almost 1.5m of the 3.8m non-UK born workers are actually UK nationals. (As an aside, the Telegraph wrongly uses 'British' and 'foreigners' to describe country-of-birth data). This represented an increase of 4,000 (0.0 per cent) in UK-national employment on April-June 2009, and an increase of 97,000 (4.2 per cent) in non-UK national employment on April-June 2009.

So, employment data broken down by nationality confirms that there has been no decline in the employment levels of British nationals over the last year – the Mail are incorrect to say that *'the number of Britons with jobs falls'*. However, the overall trend pointed out by the papers stands – the vast majority of the increase in the number of people in employment over the last year is accounted for by an increase in the number of non-UK nationals in employment.

But this doesn't necessarily tell us much about employment rates (i.e. the proportion of the population in work). It could be that the population of UK nationals is falling or steady, while the population of non-UK nationals is increasing⁵ (the UK has experienced net immigration in this period). This could mean that changes in the absolute numbers of each group in employment just reflect population, rather than telling us anything about employment rates. In fact though, the statistics on employment rates confirm the story – the 70.9 per cent employment rate for UK nationals in April-June is 0.4 percentage points lower than in April-June 2009 (though note that the sampling variation is +/- 0.4 per cent), while the 66.9 per cent employment rate for non-UK nationals is 0.6 percentage points higher than in April-June 2009 (though note that the sampling variation is +/- 0.4 per cent). In other words, non-UK nationals seem to have fared (very slightly) better in this period, in employment terms, than have UK nationals.

The final point about the statistics is about timeframes. Comparing employment rates between UK nationals and non-UK nationals between April-June 2009 and April-June 2010 shows rising non-UK national employment rates and falling UK national employment rates, but this hasn't been true across the whole period of the recession.



⁵ www.ippr.org/publicationsandreports/publication.asp?id=753

The graph above (taken directly from yesterday's ONS report) shows that in the last two quarters non-UK nationals have fared worse than UK nationals in terms of declining employment levels. Migrants have experienced a different recession to UK nationals, but not necessarily a 'better' one – I go on below to explain why this might be the case.

What do the statistics tell us?

The papers (and some of the people they are quoting) seem to be using the employment data to make four points:

1. The vast majority of 'new' jobs are going to foreigners, not to British people
2. Immigration has reduced employment and increased unemployment for British people
3. The difference between UK nationals and migrants is that Brits would rather live on benefits than work
4. The government must reduce immigration in order to get British people back to work

Let's take each in turn and see how well they stand up.

Claim 1: The vast majority of new jobs are going to foreigners, not to British people

The examination of the statistics above showed that it was indeed the case that the vast majority of the increase in the number of people in employment over the last year was accounted for by an increase in the number of non-UK nationals in employment. But this doesn't tell us much about 'new' jobs.

There were 101,000 additional people in employment in April-June 2010 compared with April-June 2009. This increase was made up of 4,000 more UK nationals and 97,000 more non-UK nationals. So, a very simplistic reading of the stats (along the lines of the Express/Telegraph headlines) could be that: 97,000 of 101,000 new jobs created between April-June 2009 and April-June 2010 went to migrants. This does sound like a crazy world – it might suggest that British people got just 3 or 4 out of every 100 jobs advertised. No wonder people can't get jobs if employers are giving 96 per cent of them to foreigners!

Of course, this isn't what the employment statistics tell us. There weren't 101,000 new jobs created in this period. There were, in all likelihood, hundreds of thousands, if not millions, of new jobs created in this period. But hundreds of thousands or millions of others disappeared, so the *net* impact on employment was 101,000. At the same time, millions of existing jobs were advertised (it doesn't matter to a job seeker whether a job is new, just whether it's available).

For example, let's assume for a moment that in the period in question, 9m existing jobs were advertised, 1m jobs disappeared and 1,101,000 new jobs were created (net employment gain: 101,000). So at the beginning of the period there were 10m jobs, and at the end there were 10,101,000. Let's assume that 92 per cent (in line with the real percentage of the total working population) of the jobs that existed at the beginning were held by UK nationals and 8 per cent by non-UK nationals. It only takes those proportions to shift to 91.1 per cent and 8.9 per cent by the end of the period to give 97,000 extra jobs to non-UK nationals and 4,000 extra to UK nationals (i.e. '96 per cent of new jobs go to foreigners!'). Small changes in employment patterns can suggest very big impacts if only net figures are considered.

But it remains true that the employment rates of non-UK nationals rose (very slightly) in this period while the employment rates of UK nationals fell (very slightly). This is likely due to a combination of at least three factors:

- Many migrants who lose their jobs, or who cannot find employment, choose to return home (emigration of non-UK born people has risen during the recession). At the same time, migrants are less likely to come to the UK when they don't have a job to go to (immigration to the UK, particularly from Eastern Europe, has fallen during the recession) and the immigration rules for migrants from outside the EU strongly favour those who either have a job already (through Tier 2 of the Points-Based System) or who are likely to be highly employable (through Tier 1 of the Points-Based System). All this means that migrants leaving the UK are more likely to be unemployed, while newly-arriving migrants are more likely to be employed – the net effect is to increase the employment rate among the migrant population.
- Migrants are more geographically mobile within the UK than the settled UK population, which means that they can move to regions with high or growing employment, and away from those with low or falling employment.
- Migrants work in different occupations and sectors of the economy to the settled UK population, and often work in sectors and occupations with high vacancy rates which means that they may be less badly hit by recession and better equipped to take up newly-created jobs in recovery.

In summary, what the statistics really tell us is this:

- The number of jobs in the UK rose (very slightly) between the second quarter of 2009 and the second quarter of 2010.
- The employment rate of non-UK nationals rose slightly between the second quarter of 2009 and the second quarter of 2010 (by 0.6 percentage points).
- At the same time, the employment rate of UK nationals fell slightly (by 0.4 percentage points), although the absolute number of UK nationals in work rose very slightly.

Not quite headline fodder, but true.

Claim 2: Immigration has reduced employment and increased unemployment for British people

The employment statistics by themselves cannot tell us anything about any causal relationship between immigration and employment for UK nationals. For example, the statistics discussed above are consistent with a range of causal relationships:

- Migrants are taking jobs that would otherwise go to UK workers – i.e. migration has reduced employment for UK nationals.
- Migrants are filling jobs that British people are not qualified to do and that would otherwise not exist in the UK – i.e. migration has had no impact on employment for UK nationals.
- Migrants are performing jobs that allow UK firms to expand and take on more UK workers – i.e. migration has increased employment for UK nationals.

Usually (employment stats come out once a month, so this is a regular story), the papers can just say 'immigrants take the vast majority of new jobs' and let their readers draw their own conclusions on this. But today's coverage has also been able to draw on a report from MigrationWatch UK⁶ which purports to show that

⁶ www.migrationwatchuk.org/briefingPaper/document/199

“Immigration has Damaged Employment Prospects for British Workers” (Migration Watch press release⁷, 12 August 2010).

The Mail quotes Sir Andrew Green, MigrationWatch chairman:

“While properly controlled immigration can be of economic benefit, this demonstrates that the ‘open door’ policies of the past decade have had a damaging effect on the employment, and therefore the standard of living, of UK born workers in the areas most affected.”

In fact, the MigrationWatch report shows no such thing – it’s worth examining its claims one by one.

The report’s first claim is that *“areas of the UK that have experienced the highest levels of immigration have higher unemployment levels than areas that have not”*. This is supported by a comparison between the fifty local authorities which received (as a proportion of their population) the greatest levels of net international migration between 2003 and 2009 and the fifty local authorities which received the lowest. This comparison does (taking Migration Watch’s figures at face value) show that the fifty ‘high migration’ areas have higher levels of unemployment and lower levels of employment than the fifty ‘low migration’ areas.

There are a number of questions that could be asked about this approach (e.g. why choose the top/bottom fifty local authorities, rather than the top/bottom twenty, or top/bottom hundred? Why look only at migration between 2003 and 2009? Why look at migration flows, rather than migrant populations?), but the most important point to make is that **this evidence does not show that there is any causal relationship between the two variables.**

It’s an old lesson, but a good one, that correlation does not equal causation. To demonstrate this, here are a few (of many) possible alternative explanations for the association between immigration and higher unemployment rates:

- Migrants move to urban areas with settled migrant populations, and urban areas also happen to have higher levels of unemployment (the vast majority of the local authorities in the ‘high migration’ group are urban areas, while the vast majority of those in the ‘low migration’ group are rural areas).
- High unemployment in some areas reflects low skill levels, which also cause skills shortages and may therefore attract migrants to fill skills gaps.
- Migrants move to areas where housing is affordable, which also tend to be areas with high unemployment.

The second part of the MigrationWatch report then looks specifically at London boroughs (thus controlling for some factors such as the differences between urban and rural areas) and looks at the relationship between net international migration (as a proportion of population) between 2003 and 2009 and unemployment/employment in 2008-09. Scatter charts are then used to suggest a “distinct linkage” between immigration and unemployment and to make claims such as:

“For every one percentage point increase in the ‘intensity’ of overseas immigration into London boroughs, there is a fall of around half a percentage point in the employment rate of UK born”

In fact, this is just another example of correlation, not causation.

To demonstrate that immigration has damaged the employment prospects of UK workers, MigrationWatch would have needed to conduct some much more rigorous

⁷ ibid

econometric modelling, controlling for a range of other factors (e.g. skill levels in different areas, variations in the age profile of different populations) and establishing statistically significant results.

Luckily for us, we don't need to rely on MigrationWatch to do this – a number of academic and government studies have done exactly this kind of econometric modelling. They are summed up in a paper by my colleagues Maria Latorre and Howard Reed⁸:

“In short, the best available UK microeconomic evidence on the effects of migration on employment finds either no effect at all, or very small negative effects.”

This conclusion is also supported by a wide range of research in other OECD countries.

This is not to say that immigration *never* has an impact on employment – indeed it seems likely that it has had impacts in the UK in some local areas, for low-skilled workers in particular. But in general, the claim that migration causes increased unemployment for UK workers is not supported by the evidence, and is definitely not proven by MigrationWatch's report.

Claim 3: The difference between UK nationals and migrants is that Brits would rather live on benefits than work

A wider theme picked up in much of the media coverage of these recent statistics and migration/ employment in general is that the real fault lies not with hard-working migrants, but with lazy British people who would rather live on benefits than work, or with a welfare system that provides little incentive to work. This argument is essentially that high immigration is a symptom of an employment problem, rather than a cause.

For example, the story in the Express quoted Matthew Elliott, chairman of the TaxPayers' Alliance:

“For too many British families, the welfare system means it isn't worth the trouble to work...it is hardly surprising that reduces the number of Britons willing to work and leaves employers looking to immigrants who aren't trapped in benefit dependency.”

It is certainly the case that most migrants in the UK do not have access to any or all of the benefits which UK nationals can rely on if they are unemployed or unable to work. This may well mean that they are prepared to take jobs which British people are unwilling to do, particularly jobs which are temporary, part time, or low-paid. This raises a number of well-rehearsed issues about the UK welfare-to-work system – poverty traps, low wages, job insecurity, balancing work incentives with poverty reduction (particularly for children), the time taken to move from benefits to work and back again, and the need for significant job creation efforts to sit alongside measures supporting people into work. This is not the place to rehearse these arguments (an ippr report⁹ on approaches to welfare from around the world was published last week and explores these issues in more depth), but while it is fair to suggest that the ability of new migrants to find jobs while UK nationals remain unemployed does raise questions, it is also important to note that welfare reform is not a straightforward challenge.

⁸ www.ippr.org/publicationsandreports/publication.asp?id=649

⁹ www.ippr.org/publicationsandreports/publication.asp?id=768

But there are also a number of other key differences between migrants and unemployed UK nationals which have a direct bearing on employability and which demonstrate that unemployment/inactivity in the UK will not be solved by welfare reform alone. Three in particular are worth noting:

- Migrants in general, and some migrant groups in particular, tend to be more highly educated/skilled than UK nationals who are unemployed or inactive.
- As noted above, migrants tend to be more geographically mobile within the UK than UK nationals, meaning that they can move to find employment opportunities.
- A high proportion of newly-arrived migrants are young adults without children, which means that most do not have to contend with the costs and complications of childcare in order to work.

The data on migration and employment in the UK certainly raise questions about welfare policies, but they also suggest that the problem of worklessness in the UK is complex, and unlikely to be solved by welfare reform alone.

The most convincing version of Claim 3 is a political one, rather than an economic one – that immigration has allowed governments (and employers) to ‘work around’ persistent unemployment in the UK by filling skills gaps and meeting labour shortages without investment in training or other ‘work readiness’ initiatives.

Claim 4: The government must reduce immigration in order to get British people back to work

The corollary of Claims 2 and 3 is Claim 4 – that the solution to unemployment caused by immigration, or welfare-dependency made easier by immigration, is to reduce immigration in order to get British people back to work.

The Telegraph quoted David Green, a director of the think tank Civitas, on this point:
“The figures show that unless we control immigration it has the potential to undermine efforts to reform welfare by encouraging claimants to return to work. The taxpayer will be left with a large bill for benefits.”

So would reducing immigration help get British people off benefits and into work?

Claim 2 (that immigration causes unemployment) doesn’t stand up to scrutiny – there is no evidence that immigration causes unemployment, and therefore no evidence that reduced immigration would reduce unemployment. In fact, it’s quite possible that reduced immigration could increase unemployment by damaging the economy.

Claim 3 is over-simplified, but it does raise some genuine questions about incentives and barriers to work in the UK. In this argument migration is a symptom, rather than a cause of the problem, so again, it seems unlikely that reduced immigration would by itself reduce unemployment. In this analysis, what is needed is some combination of job creation, welfare reform to increase incentives to work, training to equip people for the labour market, employment regulation to make work pay and labour market (and housing) flexibility to ensure that people can access those jobs that do exist – not a reduction in immigration.

So the papers’ claims don’t really stand up – should we be relaxed about migration and employment?

I have explained above why the claims made on the basis of migration and employment data don’t really stand up. But this is not to say that we should be entirely relaxed about what the statistics show. The fact that employment rates for UK nationals seem to be falling, or at least not rising, is a concern. The fact that

employment rates for non-UK nationals are rising at the same time tells us something about incentives and barriers to work that it is worth taking seriously as the Government seeks to increase employment rates.

Similarly, just because there isn't any evidence that immigration is harming employment in the UK doesn't mean that *more* immigration would be a good thing. So, this isn't by any means a call for government officials and politicians to walk away from the task of making the UK's immigration policy framework more effective.

The Government's headline policy on immigration is to introduce a cap on the number of highly-skilled migrants who can come to the UK from outside the EU. But these most recent data neatly demonstrate (by highlighting the high number of EU migrants in the workforce) the limitations of this approach, as pointed out by the Telegraph, quoting Keith Vaz MP, chairman of the Commons' Home Affairs Committee:

"What it shows is that the Government's intention is not going to work...the problem is that the immigration cap does not deal with EU migration."

In fact, net migration from the EU is falling rapidly¹⁰, but as ippr has argued elsewhere¹¹, a cap on immigration is the wrong approach in any case. Arbitrarily reducing immigration (particularly highly-skilled immigration) is unlikely to increase employment for UK workers (and could indeed harm it).

The most convincing link between migration and employment is a political one, and for the Government to reduce immigration in order to give *itself* an incentive to deal with unemployment seems like backward logic. Similarly, reducing immigration to give employers an incentive to invest in training seems like a roundabout way to address the problem.

These data on immigration and employment are important, and contain important lessons for policymakers. They just aren't the lessons which the papers suggest, and they aren't just for the Home Office.

¹⁰ www.ippr.org/publicationsandreports/publication.asp?id=753

¹¹ www.ippr.org.uk/publicationsandreports/publication.asp?id=740