

Effects of Regulatory Frameworks on Migrants' Labour Market Performance in the UK

Synopsis

Observable factors responsible for lower performance of many migrant and ethnic minority groups in the UK labour market, compared with local workers have been extensively investigated in recent literature. Conversely, a wide knowledge gap exists as regards the role of the institutional context and the effectiveness of strategies aimed at improving the outcomes of migrant workers and other groups at risk of economic exclusion.

The aim of this paper is to fill, at least in part, this knowledge gap, reviewing existing evidence on the impact of regulatory frameworks on migrants' economic integration. It has been developed within an international comparative project '*Diversity, Integration and the Economy*', funded by the Volkswagen Foundation, and follows a background paper providing a comprehensive description of the legislation regulating access to the labour market and government services for migrants in the UK (Hunter, forthcoming). Despite the shortage of comprehensive and reliable data, this study provides evidence on the effects of the regulatory framework for migrant workers, points out knowledge gaps and contributes to the development of a research field – the empirical evaluation of policies – which is relatively unexplored in the migration literature.

Research questions and definitions

This study attempts to answer a seemingly easy question: what is the impact of policies on the migrants' access to and performance within the labour market since their arrival in the UK? Among the many aspects of the regulatory framework which might influence the economic outcomes of migrant workers, our focus is on two dimensions that are more likely to have a *direct* impact on job performance: rules governing access to the labour market for different migrant groups and the set of government programmes, benefits and services to which migrants may or may not be entitled owing to their legal status. Labour market performance is measured by looking at several dimensions of the economic sphere: inactivity, unemployment, occupational level, earning, stability of employment and entrepreneurship.

Data and methods

The Labour Force Survey (LFS) and flow data (work permits, International Passengers Survey, Home Office estimates) are used to draw a picture of the migrant population in the UK labour market. Attention is paid to features related to the regulatory framework such as the acquisition of British nationality or the composition of new arrivals in terms of migration status and type of access to the labour market. Employment performance – as measured by a set of indicators built from the LFS – and use of benefits by migrant groups undergoing differentiated access to the labour market is analysed alongside findings from the literature on the determinants of migrant economic outcomes.

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The involvement of migrants in government programmes and services and the success of these policies in fostering their economic integration is reviewed using the Department of Work and Pensions databases on participants, building on administrative records and evidence provided in *ad-hoc* evaluation reports.

Key findings

The LFS data does not include information about migrants' status at entry and current legal situation, so that a proper identification of those facing restrictions in the labour market is not possible. However, evidence on the employment outcomes of different migrant groups shows that non-European nationals, most of whom undergo restrictions in access to the labour market, generally perform worse than natives and other migrant groups with unrestricted access. The dimensions of underperformance include: higher inactivity (among females) and unemployment levels and higher concentrations in low-skilled and temporary positions. A possible interpretation of this result is that restrictions in access to the labour market can hinder both upward and horizontal professional mobility, particularly through the strict ties existing for work permit holders between the right to reside and a specific employer-employee relationship. Scarce opportunities provided by some temporary work schemes make it difficult to pursue a long-term integration strategy. However, the approach used is only explorative and deeper analyses controlling for other characteristics likely to influence economic integration – including education, language skills and duration of stay – are needed to isolate the effect of the regulatory framework.

Evidence regarding the participation of migrants in mainstream labour market programmes and services is scarce. Migrants, with the exception of refugees, are never explicitly considered among the target groups of these measures and data on their involvement and outcomes are also absent when evaluations are carried out. Migrants enjoying unrestricted access to the labour market and benefits are entitled to participate in government labour policies, and arguably, significantly represented among participants because of the economic disadvantage of many groups. The available evidence suggests that migrants entitled to state benefits are not disproportionately represented among claimants as compared to the native population; the propensity to attend jobcentres as the main strategy to look for employment is possibly higher for non-European migrants than for natives; a significant number of long-term migrants with a minority ethnic background are likely to be involved in many mainstream programmes where ethnic minorities are overrepresented (New Deal and particularly Employment Zones); and the outcomes of these programmes in getting ethnic minority people into work seem not to be very different from those obtained for the white majority – perhaps with the exception of Black minorities. Again, to make this evidence consistent more data is needed.

As far as specific programmes targeting migrants are concerned, a growing awareness of the problems faced by refugees and of the need for policies to promote integration more effectively seems to be paralleled by a complete absence of strategies aiming to foster the economic inclusion of labour migrants and their family members. The importance of a holistic approach in the integration of refugees has been recognised and a number of new initiatives involving several stakeholders are being implemented at national and local levels. It will therefore be interesting to compare our initial findings with early evaluations of the programmes once they are available.