



The Economic Impact of Immigration

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I am responding to the House of Lords Select Committee on Economic Affairs' call for evidence on the economic impact of immigration. I will focus in particular on question 3 *Why do employers want to hire immigrants?* This response is based on work conducted at the Centre on Migration, Policy and Society, University of Oxford. It is an individual, not a Centre, response.

Definitions and Context

- I. 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 (i.e. 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.

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)¹. Seventy seven percent 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 2 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

¹ See www.compas.ox.ac.uk/changingstatus.

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 were given 1 or 4 year visas had (in some cases unexpectedly) to apply for extensions to their permits following the April 2007 change in requirements for ILR from 4 to 5 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 de-regulated 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.

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