# Labour migration to the UK

## an ippr FactFile

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#### ippr *FactFiles* on Asylum & Migration

Immigration and asylum issues are currently high on the political and public agenda in the UK, and elsewhere. Yet, easily accessible information about the key issues and facts is often hard to come by. Much of the information that does exist is very complex, difficult to disaggregate and often provided by organisations with particular concerns or interests.

One of the key objectives of ippr's Migration Equalities and Citizenship Team is to engage the media and the public in an informed and evidence-based debate. As part of this process we are consolidating the available evidence on asylum and immigration issues in the form of accessible *FactFiles* and producing a Working Paper Series dealing with key issues in the current debate.

An examination of labour migration to the UK is both timely and important. It is timely because the UK Government, like many governments around the world, has been attempting in recent years to devise effective policies to manage migration into the country. Informed by economic imperatives resulting from labour shortages in key sectors as well as an ageing population, managed labour migration has emerged as one strategy to ensure sustained economic growth. It is also important to examine the extent and nature of labour migration in the context of wider migrant flows. Until recently, the public debate over migration has been almost exclusively concerned with asylum, ignoring and sometimes confusing the distinction between asylum and other routes of migration. ippr's *FactFiles* aims to provide the empirical evidence upon which a more comprehensive and constructive discussion can be based.

In early 2004 revelations about shortcomings in the processing of some visa categories in the 'managed migration' programme attracted much public attention. Much of this attention focused on the relative merits of the migration system but very little of the debate paid attention to the facts. This ippr *FactFile* seeks to provide the background to and some data on labour migration to the UK.

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#### Key facts on labour migration

Labour migration (sometimes called economic migration) involves the movement of people from one country to another primarily for employment related reasons.

In 2003, there were an estimated 1,396,000 foreign nationals working in the UK. The rise in the number of workers over the last decade (62 per cent) was faster than the overall increase in foreigners living in the UK (43 per cent)

While the number of labour migrants to the UK has grown in recent years, foreign nationals account for less than 5 per cent of the UK workforce.

European Union nationals (not including nationals of the new member states) make up the biggest proportion (37 per cent) of foreign workers in the UK.

In 2001/2, the top ten countries of origin of migrants who registered for a national insurance number were (in descending order): Australia, India, South Africa, France, Pakistan, Philippines, Spain, Republic of Ireland, New Zealand and Germany. These ten accounted for nearly half of all new migrant registrations.

Nationals of some countries (for example EU members) do not require a special visa to work in the UK. For other nationals, there are several labour migration schemes. Work permits are the longest-running and most important of these schemes.

In 2002, around 130,000 work permits were issued. More than 87 per cent of these were issued for managerial, professional, associate professional and technical occupations.

Many of the UK's labour migration schemes are designed to fill gaps in the domestic labour market. The UK has consistently had more than half a million unfilled vacancies for the last 5 years. Of the estimated 679,000 vacancies in 2003, 135,000 existed because of skills shortages - especially in sectors such as health, business services and construction, and in occupations such as skilled trades.

Nearly two-thirds of all immigrants over the last ten years who had been employed prior to coming to the UK had worked in professional and managerial occupations.

Health and medical services (24 per cent), and computer services (17 per cent) were the two largest sectors for which work permits were issued between 2000 and 2002.

Overseas qualified doctors accounted for 51 per cent of the increase in the number of doctors working in NHS hospitals between 1993 and 2003.

Nearly 45 per cent of migrant workers in the UK in 2003 were working as professionals, employers and managers compared to 39 per cent of UK workers.

Since migrants tend to be younger than the resident population, migration can go some way in reducing the impact of an ageing population, though migration is unlikely to be a long term solution on its own.

#### Key questions about labour migration to the UK

#### What is labour migration?

Labour migration involves the movement of people from one country to another primarily for employment related reasons. The term 'labour migration' is often used in academic discussions of the phenomenon but it is also common to hear terms such as 'economic migrant' and 'migrant worker' used to describe the same group of people.

This is a very broad definition that includes:

- those who stay for only a few weeks (for example, seasonal workers) up to those who stay for several years (for example, work permit holders);
- those entering under a range of different schemes that vary greatly according to length of permitted stay, conditions of stay and possibility of extension; and
- those who are employees in the new country, those who move to become selfemployed and even those who have their own business in the new country, sometimes employing locals.

The main groups of labour migrants in the UK at present include:

- foreign nationals who do not need a visa to work in the UK;
- work permit holders;
- those on special worker schemes;
- those in the Highly Skilled Migrant Programme;
- business people and investors;
- those on working holiday visas and other exchange schemes; and
- those on other special visas such as au pairs, volunteers and religious instructors.

Defining exactly who is a labour migrant is not easy. For example,

- sometimes those who accompany labour migrants (such as spouses) are also permitted to work and so, although they did not migrate primarily for the reason of working, they may also be classed as labour migrants;
- in some cases those who migrate for non-work reasons may be eligible to work (for example, foreign students studying in the UK are permitted to work up to a set number of hours during term time and in their holidays);
- some people switch categories (for example, student to work permit holder); and
- there are an unknown number of people who enter illegally or work illegally, and are technically labour migrants but who are not captured in official statistics.

It is also important to note who is **not** generally classed as a labour migrant:

- refugees and asylum seekers;
- visitors, even if they are here to attend conferences or to meet with clients or even to attend interviews for a prospective job;
- retirees and others who do not work and support themselves economically; and
- any returning citizen, regardless of how long they have been away.

#### How many migrants work in the UK?

Estimating the number of migrants in the UK is a very difficult task, and estimating the number of those who work in the UK is even more difficult. Part of the difficulty arises in defining a migrant. Here, the most important distinction is between 'foreign-born' (those who were born overseas but may or may not have UK citizenship) and 'foreign' (those who do not hold UK citizenship). Both categories have limitations. By definition, 'foreign-born' will include those UK citizens born abroad and those migrants who have been in the UK for a long time (for example, migrants who arrived immediately after World War II) but will not include those migrants who take up UK citizenship or their children. In most cases, the smaller foreign population is more useful for estimating the scale of labour migranton.

The foreign-born population - estimated to be around 8 per cent of the entire UK population (Kempton 2002) - is the larger of the two. However, this figure is not useful in estimating how many people are here temporarily to work or how many *new* workers are joining the labour force through migration. For this, the number of foreigners living in the UK is more useful.

In 2003, there were an estimated 2,865,000 foreigners in the living in the UK, accounting for 4.8 per cent of the total UK population (Table 1). Over the last decade, the number of foreigners is estimated to have increased by some 43 per cent.

Of those foreigners, in 2003, an estimated 1,396,000 people were workers, accounting for some 4.9 per cent of all those in employment in the UK (Table 1). Over the last decade, the number of foreign workers is estimated to have increased by some 62 per cent.

The relatively higher growth in foreign workers compared to the overall increase in foreign nationals means that the proportion of foreigners who are working in the UK has increased from 43 per cent to 49 per cent over the last decade.

	1993	2003	Change
Number of foreigners living in the UK	2,001,000	2,865,000	+864,000
(% of total UK population)	(3.5%)	(4.8%)	(+43.2%)
Number of foreign workers in the UK	862,000	1,396,000	+534,000
(% of all those in employment)	(3.4%)	(4.9%)	(+61.9%)

#### Table 1. Migrants in the UK, 1993 and 2003

Source: Labour force survey data. See OECD (2003: 295, Table A.1.5 and p. 298, Table A.2.3) and Salt (2003: 48, Table 4.3).

#### Where do migrant workers come from?

While migrant workers come from all over the world, a breakdown by nationality of these foreign workers (shown in Table 2) indicates that workers from other EU members make up around half of the foreign worker population.

Tuble 2. Foreign Workers in the	1986	1991	1996	2001	2003
EU member states	389	398	395	483	519
Of which:					
Ireland	261	242	218	212	185
Italy	44	51	42	58	56
France	13	23	27	47	64
Germany	23	22	30	35	41
Portugal	n/a	12	15	35	55
Spain	18	20	20	30	36
India, Pakistan & Bangladesh	97	83	87	109	127
United States	47	39	46	75	72
Australia & New Zealand	23	34	58	70	87
Caribbean and Guyana	79	50	41	n/a	n/a
Central & Eastern Europe	24	20	23	n/a	63
(including former USSR)					
Other countries	186	232	258	558	517
TOTAL foreign workers	815	828	865	1,229	1,396

Table 2. Foreign workers in the UK by nationality, various years

Source: Labour force survey data. See OECD (2003: 357, table B.3.2) and Salt (2003: 48, Table 4.3).

Appendix 1 has a list of the top countries of origin of labour migrants using data from two sources, National Insurance registrations and work permits, for 2001-2. These data reveal that migrant workers often come from countries with strong ties to the UK. In 2000-1, the DWP data show that nine out of the top ten countries of origin of migrant workers were either EU or Commonwealth countries (the Philippines was the only exception).

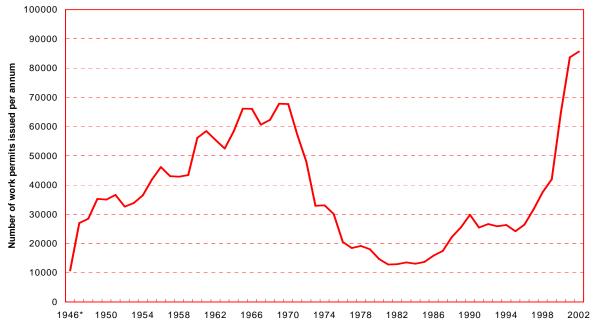
#### How have migrant worker numbers changed over the years?

Seen over the long-term, it is clear that migrant numbers rise and fall over time. Indeed, at some points in the history of the UK, there have been *net outflows* of migrants, that is, more people leaving the UK than entering in a given period. This interaction between inflows and outflows, and what proportion of migrants are workers, determines the scale of labour migration.

At the global level, there has been a significant increase in the scale of labour migration. This has largely been because, since the 1980s, many countries have actively sought to attract migrant workers. The result has been 'the emergence of a global migration market, mainly for the highly skilled' (Dobson *et al* 2001:3).

Looking at work permits, the largest and longest-running of the official avenues for labour migration to the UK, over the long term (Figure 1) reveals two notable features:

- that the number of work permits issued over the last 50 years has fluctuated over time; and
- that there has been a rise in work permits issued in recent years.



#### Figure 1. Work permits issued in the UK, 1946-2002

The rise in the number of work permits issued in recent years has taken place in the context of a rise in overall labour migration to the UK. Estimating the exact numbers of people migrating to the UK for work reasons is difficult for the reasons outlined in the previous section.

Source: Clarke and Salt 2003

However, we can see that the four measures listed in Table 3 all show a rise in labour migration to the UK over the last decade. The number of work permits issued and the numbers of foreigners registering for National Insurance numbers have both risen over the 1990s, and surveys of passengers arriving into UK ports confirm this trend.

Source of estimates	1991	1997	2002			
Work Permits (including extensions)	29	43	130			
Labour Force Surveys	51	59	99			
International Passenger Survey (IPS)	75	79	150			
National Insurance Registrations*	114	130	156			

Table 2	Estimates of	numborg	of forgian	worker	(thousands)	Various	(ODre
Table J.	LSCIIIIALES OI	numbers	u iureign		(thousanus),	various	years

Compiled from various sources including Kempton (2002), Salt (2003), and Clarke and Salt (2003). \*Number of migrants registering for National Insurance numbers in financial year, April-April. 2002 figure is for financial year 2001/2. Figures rounded to nearest thousand.

Using data from the International Passenger Survey (IPS), it is possible to estimate the net effect of emigration from and immigration to the UK in terms of the loss of occupation types (Table 4). In overall terms, there were significant net losses of workers in the late 1970s and early 1980s as more workers left the UK than entered. There was a relatively small net effect in the late 1980s and early 1990s. The late 1990s and early 2000s have seen a large net gain in labour migrants, as more workers have arrived in the UK than have left. These rises have been seen in both professional and managerial, and manual and clerical occupations but the net growth of those who had worked in professional and managerial occupations has exceeded the growth in manual and clerical workers in recent years.

Nearly two-thirds of all immigrants in the decade to 2002 who had been employed prior to coming to the UK had worked in professional and managerial occupations (ONS 2004: Table 2.7).

Period	Professional and Managerial	Manual and clerical	All occupations
1975 - 1979	-67.6	-103.1	-170.7
1980 - 1984	-52.8	-95.9	-148.7
1985 - 1989	+0.8	-12.0	-11.2
1990 - 1994	+13.3	+5.3	+18.6
1995 - 1999*	+81.0	+70.5	+151.5
2000 - 2001*	+79.5	+38.8	+118.3

Table 4.	Estimates o	of net	: migratio	on flows	by o	ccupation	al ca	tegory,	various years
	_	-		- I				1	

Source: IPS data. See Dobson et al (2001). \*Figures from 1995 using revised ONS methodology

#### What are the major avenues for labour migration to the UK?

#### 1. Foreign nationals who do not need permission to work in the UK

Historically, this has been the most important way by which foreigners have been permitted to work in the UK. Before the First World War anyone could come and work in the UK from anywhere in the world. From 1919-20 a system of work permits was introduced but this did not apply to citizens of British colonies and, later, to members of the Commonwealth. Only in 1962 were restrictions imposed on this latter group (see Clarke and Salt 2003:563). In recent years, despite these increasingly restrictive practices, nationals of several countries can come and work in the UK without a visa.

The most important group in this category are nationals of the Republic of Ireland. Irish and UK nationals have enjoyed reciprocal free movement rights since the founding of the Irish Republic. Today, Irish nationals are estimated to make up the single largest group of foreign workers in the UK (see Table 1).

Citizens of member states of the European Union have the right to reside and work in any other member state. As a result, citizens of countries like Ireland, France and Germany do not have to seek special permission to work in the UK. While migrants from these countries, especially Ireland, are rarely classed as labour migrants (or sometimes even counted as labour migrants in official statistics), it is important to note that EU nationals make up a significant proportion of all migrant workers in the UK. The UK also has agreements with other countries within the European Economic Area (EEA). These agreements allow nationals of Iceland, Liechtenstein, Norway and Switzerland to enjoy similar rights to those enjoyed by nationals of EU15 member states.

Citizens of the ten new member states that joined the EU on 1 May 2004 also have the right to move within the enlarged EU. However most existing member states have placed transitional restrictions on the right of workers from new Central and Eastern European to live and work in existing member states. These restrictions need to be phased out by 2011 at the latest, by which time nationals of new member states will enjoy the same rights as existing EU15 nationals. The UK has not placed restrictions on the number of migrant workers but does require migrant workers from the new member states to register when they take up employment. More details about EU enlargement and migration to the UK can be found in an ippr *FactFile* on the subject.<sup>1</sup>

#### 2. Work Permits<sup>2</sup>

As discussed in the previous section, work permits have traditionally been the most important avenue for non-EEA nationals to secure work in the UK. Since 2001 work permits have been issued by a dedicated agency (Work Permits (UK)) that is located within the Home Office. Perhaps the most important feature of the work permit system - and the feature that sets it apart from most other avenues for labour migration - is that work permits are employer-driven. Work permits can only be applied for and obtained by employers on behalf of the foreign worker they wish to employ.

<sup>&</sup>lt;sup>1</sup> See http://www.ippr.org/research/index.php?current=19&project=158

<sup>&</sup>lt;sup>2</sup> See http://www.workingintheuk.gov.uk/working\_in\_the\_uk/en/homepage/work\_permits.html

In order to obtain a work permit for a migrant worker, the prospective employer must show that:

- they advertised widely for the post and that there were no suitable resident workers to fill the vacancy (with the exception of some shortage occupations, intra-company transfers, board level posts and inward investment, where employers need not show this);
- the post requires high-skilled workers who have specific qualifications and/or education to National Vocational Qualifications (NVQ) Level 3 or above; and
- the pay and conditions are no lower than would be given to a UK worker in an equivalent position.

Work permits are specific to the job for which they were granted and are issued for periods varying from several months to several years. Work permits may be extended if the worker continues to work for the same employer. If the worker wishes to change employment during this time he or she must apply for a new permit.

There are several types of work permit arrangements:

- business & commercial (to fill a vacancy that a 'resident worker' cannot fill);
- training & work experience (work-based training for a specialist qualification);
- sports people and entertainers (for established professionals and support staff);
- internships (for students undertaking an internship with an UK employer); and
- General Agreement on Trade in Services (GATS) (allowing employees of companies that are based outside the EEA to work in the UK on a service contract awarded to their employer by a UK-based organisation).

#### 3. Special worker schemes

There are several specific schemes that operate within the work permit system which aim to fill specific needs, especially for low-skilled workers in some sectors, and to attract workers from outside the EEA. The two most prominent of these are the Seasonal Agricultural Workers' Scheme (SAWS) and the Sector Based Scheme (SBS).

The SAWS was founded soon after the Second World War and is aimed at meeting the shortfall of seasonal and agricultural workers from within the resident workforce. Following a wide-ranging review and consultation with farmers and growers in 2002, the SAWS has been expanded. In 2002, 19,372 people came to the UK under SAWS. In 2003-4 SAWS has a quota of 25,000 places. The most important countries of origins were Poland (25 per cent), Ukraine (20 per cent) and the three Baltic states (18 per cent) (Clarke and Salt 2003:573).

The SBS was initiated in May 2003 as a way of providing workers for two sectors in which there was perceived to be high demand. The initial quotas were set at 10,000 places each.

These schemes differ from the general work permit system in several important ways:

• they are for very limited periods (between 5 weeks and 6 months for SAWS, and up to 12 months for SBS);

- they are for low-skilled jobs (general harvesting and processing work for SAWS, and a specific list of jobs such as cooks, waiting staff, and meat processors for SBS);
- they have restrictions on re-application (participants have to wait several months outside the UK before being eligible to re-apply);
- there are strict eligibility restrictions (only for those over 18 and in full-time education for SAWS , and only for 18-30 year olds for SBS); and
- in the case of SAWS, they are administered through designated 'operators' who are contracted to the Home Office to recruit suitable foreign workers to meet farmers' needs.

On 19 May 2004, the Government announced that the SAWS quota for 2005 was to be cut by 35 per cent to 16,250. The SBS quotas for the period 1 June 2004 to 31 May 2005 were also to be reduced by 25 per cent to 15,000 (9,000 for the hospitality sector and 6,000 for food processing). It was also announced that participants in the either scheme would be prevented from switching to other categories of employment at the end of their SAWS or SBS employment. These measures were motivated by the fact that many of the workers under the schemes had come from the countries that joined the EU in May 2004. Indeed, some of the SBS quotas (37.5 per cent) had been assigned specifically to new member state nationals. Since these nationals will no longer require a permit or work card to obtain employment in the UK (though many will need to register for employment when here), the demand for workers in the sectors covered by SAWS and SBS is likely to be met by these migrant workers. In fact, in March 2004, the Home Office had already suspended applications for the hospitality SBS as quotas had been met. The food manufacturing SBS continues for the moment, at least until early 2005.

#### 4. Highly Skilled Migrant Programme (HSMP)

The HSMP was initiated in January 2002 and is similar to programmes in other countries such as the United States and Australia that are designed to attract the high-flyers in business, commerce and academia to the UK, as well as to fill shortage occupations. The HSMP differs from the work permit system in that it does not require an employer to obtain a permit for the individual. Instead, applicants submit their own applications and need not show that they have already found employment in the UK. Applications are assessed on a points system based on their qualifications, achievements, earning ability and experience. The permit will initially be granted for one year but may be extended if the applicant demonstrates that he or she has found employment at an appropriate level. There were 8,451 successful applications for the HSMP between early 2002 and the end of 2003. Four occupational groups tend to dominate the HSMP applications: finance, business managers, information technologists, and medical services (Clarke and Salt 2003:573).

#### 5. Business and investors visas<sup>3</sup>

A key aim of the UK's managed migration programme is to encourage entrepreneurial activities through attracting migrants who can start businesses, provide key services and employ more people. For this reason, the Home Office issues special visas to those who can demonstrate that they intend to set up a business in the UK. Almost all

<sup>&</sup>lt;sup>3</sup> Details of these and other categories can be found at

http://www.workingintheuk.gov.uk/working\_in\_the\_uk/en/homepage/schemes\_and\_programmes.html

the subcategories require a business plan and proof that the applicant has the intention, skills and means to establish a business in the UK as a full time activity. Most visas are issued for twelve months in the first instance but are renewable with proof of a functioning business in the UK. Successful applicants must also demonstrate that they have sufficient funds to accommodate and provide for themselves and any family members who join them in the UK until the business is profitable. They cannot have recourse to public funds in the UK under the terms of the visa. These visas do not have numerical quotas and the statistics on the exact numbers of people coming into the UL under these schemes are not readily available. The major subcategories include:

#### • Business visas

Applicants need to show that they have at least £200,000 of their own money to set up their business, and that they will create at least two full time jobs for UK residents.

• Business visas under the European Community Association Agreements (ECAA) This was initially intended as a special exemption for business people from the countries joining the EU in May 2004, plus Bulgaria and Romania (countries expected to join the EU in the near future). The ECAA scheme requires applicants to show only that they have £2,000. There are no employment creation obligations. The extent of this scheme has been narrowed significantly since the May 2004 round of EU enlargement and since the suspension of applications under the scheme from Bulgaria and Romania to facilitate an on-going review.

#### • Innovators' scheme

Established in 2000, this scheme is aimed at entrepreneurs whose business ideas - particularly in the science and technology sectors - are expected to benefit the UK economy. There is no funds requirement but applicants do need to show technical and business skills.

Investors

Applicants are required to have at least £1 million under their own control and available to invest in the UK. They are also obliged to invest at least £750,000 in UK government bonds, share capital or loan capital in registered UK companies. Successful applicants may engage in self-employment or business activities but must not take any other form of employment or draw on public funds. Investors are required to make the UK their main home.

#### 6. Working Holidaymakers and other exchange schemes

Citizens of Commonwealth countries aged between 17 and 30 are eligible to apply for a working holidaymaker visa to the UK. This entitles them to come to the UK for a maximum of 2 years and maintain themselves through work during their stay, though holidaying should be the primary purpose of their stay. Working holidaymakers are not entitled to receive public funds. In June 2003, the scheme was revised to allow working holidaymakers to apply for work permits after 12 months in the UK. In 2003 the rules were changed so that working holidaymakers could take up any work in the UK whereas previously they were not allowed to pursue a career. There is no maximum quota applied to the scheme and all those who meet the entry requirements may participate. Working holidaymakers make up a significant proportion of the temporary migrant labour force in the UK. 38,500 people came to the UK as working holidaymakers in 2000, up from approximately 25,000 in 1990. Nationals of Australia, New Zealand, South Africa and Canada (the 'old Commonwealth') have made up more than 90 per cent of all of the working holidaymakers in recent years (Salt 2003: 69, Table 6.1).

A reciprocal agreement exists between the UK and Japan that allows citizens between the ages of 18 and 25 to spend up to one year in the other country. This is similar to the working holidaymaker scheme and operates on an annual quota basis.

#### 7. Other schemes

#### • Au pairs

The au pair scheme was established to provide a way for young people from outside the EEA to learn English while working in the UK. For this reason, au pairs must work for and live with an English-speaking family, and although they may not receive a salary, a weekly allowance of up to £50 is recommended. The scheme was open to nationals of the countries joining the EU in May 2004 as well as countries such as Bulgaria, Romania and Turkey. Applicants must be aged between 17 and 27, be unmarried, and may stay in the UK for up to 2 years in total. There were an estimated 12,800 au pairs admitted into the UK in 2002 (Home Office 2003: 50, Table 3.2).

#### • Minister of religion

Applicants must show that they have been working for at least one year as a minister of religion, or that they have been ordained after considerable training for the ministry. Applicants must also show that they plan to work full time as a minister of religion in the UK and will not need help from public funds. The visa is tied to a particular post.

#### • Teachers and Language Assistants

Qualified teachers and language assistants may come to the UK for a specified period of time, under one of several schemes and exchange programmes. They must demonstrate that they are able to maintain themselves without recourse to public funds and must not work in any other employment.

#### • Volunteers

It is possible for non-EEA nationals to volunteer with registered UK charities for up to 12 months. Volunteers may not receive payment other than reasonable expenses and an allowance of up to £35 per week, neither will they be able to access public funds. Board and accommodation may be provided by the charity. The work undertaken by volunteers may not be of a type which UK residents would normally be paid to do and must involve work with the direct recipients of the charity's aid.

#### What are the economic impacts of labour migration?

Perhaps the most compelling reasons for attracting labour migrants are the positive impacts that they are likely to have on the UK economy. As with estimating the scale of labour migration, estimating the actual impact of labour migration is very difficult. It is important to recognise that, despite increasing net flows of migrants in recent years, labour migrants account for a small part of the total UK labour force (4.9 per cent in 2003, Table 1 above). As a result, the size of any overall impact that migration has on the economy will be accordingly small. The economic impact of migration is usually assessed across several factors, some of which are listed below.

#### Impact on the supply of labour

The growth in the supply of labour in the UK is being limited by an ageing population, longer periods spent in education and high levels of economic inactivity. By increasing the supply of labour, labour migrants can allow particular sectors to expand, allowing those sectors to produce new goods and services.

In the current tight UK labour market, many employers have reported serious difficulties in recruiting workers to keep up with market growth and adapt to new technologies. According to the latest National Employers Skills Surveys (LSC 2003), there are some 679,000 vacancies that exist in the UK (Table 5). Previous employer surveys indicate that the number of vacancies have remained high over the last four years (Hillage *et al* 2002: 7, Table 2.1).

Many existing vacancies arise because domestic workers are unable (because they lack the required skills or because vacancies exist in a different part of the country) or unwilling (because they do not want to do some sorts of jobs) to fill them. Migration can go some way in filling some of those vacancies, though given the scale of recent migration and the need to increase employment rates amongst the domestic workforce, migration is unlikely to even come close to meeting this unmet demand.

	Health & social work	Business services	Hotels & catering	Construction	Total (all sectors)
Vacancies due to skills shortages	17,000	27,000	11,000	13,000	135,000
Hard to fill vacancies	45,000	34,000	34,000	21,000	271,000
Total number of vacancies	90,000	85,000	81,000	35,000	679,000

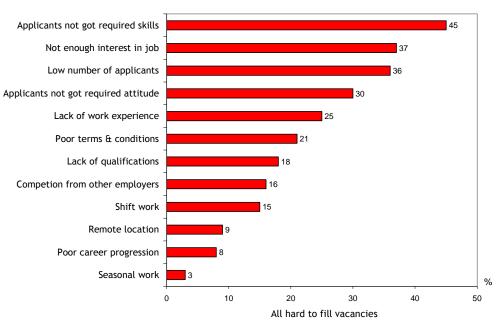
#### Table 5. Estimated vacancies in selected sectors, 2003

Source: LSC 2003; sector figures are approximates to the nearest thousand based on Table 3 of *Key Findings*.

#### Impact on skills gaps

Skills gaps in the domestic labour force can slow economic growth. While programmes to train domestic workers can and do exist, labour migrants can fill some of these gaps. By filling these skills gaps, migrant workers can boost economic production and allow domestic workers to be used more productively, specialising in producing goods at which they are relatively more efficient.

In the UK, there were an estimated 271,000 vacancies in 2003 that were classed as hard to fill (Table 5 above). Some 45 per cent these are estimated to have occurred because employers felt that applicants had not possessed the required skills (Figure 2).





Source: LSC (2003: Figure 2)

It is estimated that the most acute skills shortage vacancies are in skilled trades (18 per cent of all skills shortage vacancies even though this sector makes up only 9 per cent of all employment) and in associated professions (14 per cent versus 8 per cent) (LSC 2003: Figure 1). Two occupational categories accounted for a larger share of skill gaps than employment: sales and customer service occupations (19 per cent of all skill gaps versus 16 per cent of total employment) and elementary occupations (16 per cent of all skill gaps versus 14 per cent of total employment) (LSC 2003: Figure 3).

Skills shortage vacancies need not arise in highly-skilled areas alone. Indeed, with the shift towards a service-based economy and higher overall education levels, domestic workers have increasingly been taking up jobs in higher-level service occupations leaving a shortage of unskilled domestic workers. As a result, sectors such as construction, and hotels and catering have large numbers of unfilled vacancies (Table 5 above); gaps that low-skilled migrant workers may be able to fill.

#### Impact on an ageing population

There is growing concern in many developed countries that a decline in the birth rate combined with a rising elderly population (the so-called 'demographic time-bomb') will have serious consequences in the future. With fewer people of working age, there will be reduced tax revenues, which will put even more strains on critical public services. There will also be greater strains on pensions systems and public health systems. From an economic perspective, a fall in the total volume of employment would have a negative impact on the UK's economic growth. In the UK, the dependency ratio (the reliance of retired people divided by the working age population) is expected to rise steadily, reaching unprecedented levels within three decades (Figure 3).

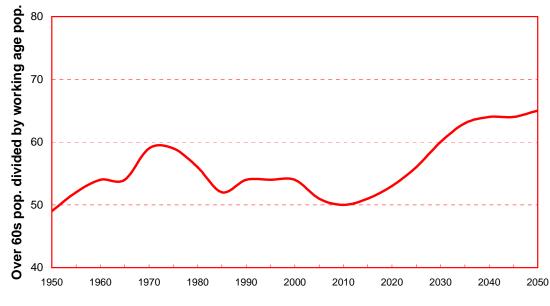


Figure 3. UK dependency ratios

Increased migration has been suggested as one way to reduce the impact of this demographic challenge. This 'replacement migration' would involve bringing in young foreign nationals to fill the potential demographic deficit, to work in public service jobs, and to contribute to tax revenues. According to one estimate, between now and 2050, the UK would need to admit 48,000 foreign workers a year maintain a constant working age population (United Nations 2000). There is evidence to suggest that migrant workers tend to be younger than the domestic workforce. In recent years some 80 per cent of migrant workers registering for NI numbers have been under 35 years old, compared to only 42 per cent of the overall UK working-age population (Robinson 2002:468). This means that, if they stay in the UK, they are likely to work for longer and thereby making lengthy contributions to the UK's economic welfare.

However, despite much research and debate into the issues involved, there is no unanimous agreement about the scale of any demographic deficit over the next few decades or, as a consequence, how much replacement migration will be needed. Almost all of the literature is necessarily based on estimates and projections.

It is important to note that while immigration can go some way in reducing the pressures of an ageing population, it can only partly offset the impact of demographic trends on the workforce and pensions. Increased migration can provide short-relief but since settled migrants will themselves age and may also develop similar patterns of low birth rate, migration cannot be the sole long-term solution. Instead, managed migration needs to be part of a comprehensive package of measures that may include increasing the retirement age and increasing the productivity of those who work.

Source: UN (2002)

#### Impact on employment and wages

The effect of labour migration on jobs and wages is central to the wider debate on migration. There is concern - expressed by both the public and politicians - that increased immigration leads to higher unemployment and lower wages for the indigenous/existing population. This concern is usually based on two specific issues: a concern that migrants 'crowd out' the labour market, competing with and taking jobs from the existing population; and a concern that migrants obtain employment because of their willingness to work for lower wages, thus pushing down the average wage of existing workers in the market. Several studies examining the effect of migration on the labour market show that a link between migration and lower employment rates or depressed wages is difficult to establish. It is important to recognise that the idea of a finite number of jobs in an economy is a myth. Almost all economists agree that the number of jobs available can grow (or shrink) according to economic conditions and that creating jobs often results in the creation of even more jobs. Recent research produced for the Home Office (Dustmann et al 2003) confirms that there is no strong evidence to suggest that immigration has a disproportionately adverse effect on jobs.

#### Impact on public services

The impact that migrants have on the UK's public services has also emerged as a central concern in the wider debate around migration. Recent attempts to quantify the overall fiscal impact of *all* migrants to the UK suggest that migrants make a small but positive net contribution of around £2.5 billion to the public purse (Gott and Johnston 2002; see also Glover *et al* 2001). This estimated has been reached by calculating tax contributions made by migrants against the amounts they receive through benefits and publicly provided goods and services. The key determinants of how much individual migrants contribute to overall economic welfare are their skills, qualification and age. Given that the sharpest rise in recent years in labour migration has been in relatively highly-skilled work permit holders, it is likely that the net economic contribution of recent migrants is getting larger. Over the longer-term, given that they tend to be younger than the overall UK population, migrants stand to make a longer contribution to economic welfare. Finally, since most labour migrants only stay in the UK for a short period, the costs of providing for their retirement and old-age care do not need to be met by the UK.

There are strict rules governing migrants' eligibility to claim welfare support. As described above, almost all of the formal avenues through which labour migrants come to the UK require applicants to demonstrate that they will be able to support themselves while in the UK without recourse to public funds. Those in the UK illegally or working illegally have difficulty claiming welfare benefits because of their lack of legal status.

#### Impact on other areas

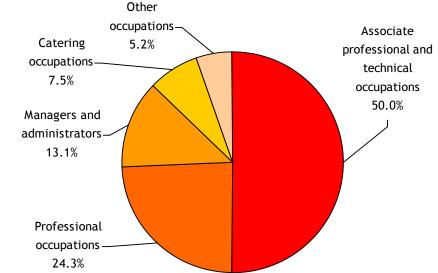
There are many other impacts of labour migration, some economic and some noneconomic. For example, since labour migrants are themselves consumers, their presence should also increase demand for goods, which in turn will lead to an increased demand for labour, creating more opportunities for native workers. Similarly, by serving as a link between their home and host countries, labour migrants can increase economic interactions and business opportunities.

#### What skills do labour migrants bring with them?

The UK's managed migration policies are aimed at attracting workers to the UK in order to fill vacancies in several key professions and to promote the global competitiveness of the UK economy. Working out just how skilled labour migrants are and what skills they bring with them is not easy. However, we can make several observations about the skills levels of recent labour migrants to the UK.

Foreign nationals living and working in the UK in 2003 were more likely to be working as professionals, employers and managers (44.7 per cent) than UK nationals (39.3 per cent) (Salt 2003: 50, Table 4.5). The proportion of both foreign and UK workers in this category has been rising through the 1990s, but foreign workers have consistently been more concentrated in the category (Dobson *et al* 2001: 176, table 11.6).

In recent years, there has been a significant increase in highly skilled migrants coming to the UK. The International Passenger Survey (IPS) data listed in Table 4 above confirm that professional and managerial occupations have in fact made up the largest proportion of net migrants to the UK since the late 1990s. Part of the reason is that, since the early 1970s, work permits have not been issued for unskilled or semi-skilled workers. As a result, work permit holders - who have made up the largest proportion of all recent labour migrants to the UK - tend to have high levels of education, training and experience in a particular area. A breakdown of work permits by occupational category (Figure 4) shows that the vast majority of work permit holders are in professional, managerial and technical occupations.



#### Figure 4. Work Permits by occupational category, 2002

Source: Clarke and Salt (2003: 568)

In addition to the increase in highly skilled migrants, there have also been efforts to make sure that migrants meet critical skills shortages in the UK. As demand for certain skills in some sectors have changed, so too have work permits issued in some

sectors fluctuated. For example, health and medical services, and computer services did not feature in the top sectors for work permits in 1995. However, as the need for healthcare professionals and information technology professionals has become more acute, these sectors became the two most important sectors in the period 2000-2 (Table 6). Work permits issued in the health and medical services, and computer services went from being the eighth and seventh most important sectors (of 22) in 1995 to being first and second during 2000-2 respectively. There was also significant growth in the number of work permits issued for hospitality and allied services which accounted for only 1.3 per cent of work permits in 1995 but nearly 7 per cent for the period 2000-2. Looking at the numbers for 2002 alone this sector accounted for 11.4 per cent of all permits, ranking it fourth most important for that year (Clarke and Salt 2003: 567).

Sector	% of new work permits issued (1995)	% of new work permits issued (2000-2)
Health and medical services	7.3	24.1
Computer services	7.6	17.2
Administration, business & managerial	16.7	12.7
Education and cultural activities	7.9	8.4
Financial services	13.2	8.0
Hospitality, hotels, catering and other	1.3	6.9
Source: Clarke and Salt (2003: 567)		

 Table 7. Work permits by major sectors, 1995 and 2000-02

Source: Clarke and Salt (2003: 567)

The Government has also attempted to use labour migration to promote economic growth by identifying and filling critical skills shortages. For example, WorkPermits (UK), in conjunction with business and trade union leaders, operates several 'sector panels' that look at labour market conditions and to monitor skills shortages. The listing of computer services on the shortage list resulted in an almost tenfold increase in the number of work permits issued in that sector between 1995 and 2001. It is likely that migrant workers in this sector helped to ease labour shortages in information technology during the late 1990s. In time, as demand in this sector was increasingly met by local workers, this category was taken off the shortage list in 2002. Since then there has been a fall in the absolute numbers and relative importance of this sector in the number of work permits.

Another indication of the contribution of highly-skilled migrants in recent years has been their prominence in some sectors. For example, some 31 per cent of doctors and 13 per cent of nurses are foreign-born, with the proportions rising to 47 per cent and 23 per cent respectively in London (Glover *et al* 2001: 38). In 2003, 35 per cent of hospital medical staff (not including nurses) working in the NHS in England had qualified overseas (Department of Health 2004: Table 5). Overseas qualified doctors accounted for 51 per cent of the increase in doctor numbers between 1993 and 2003.<sup>4</sup> Staff shortages in schools are also being filled by workers from overseas. Many local authorities in London are recruiting foreign staff directly and one of the country's leading teacher recruitment agencies, Timeplan, has stated that 'without overseas teachers, schools in London would be falling apart' (BBC News 2000).

<sup>&</sup>lt;sup>4</sup> http://www.publications.doh.gov.uk/STATS/tables/1993table03.xls

#### What is the scale of irregular migration?

Irregular migration is an oft-used term that encompasses various phenomena:

- clandestine or illegal movement of people avoiding border controls;
- legal entry into a country but through deceptive means;
- unauthorised overstaying on an otherwise legal visit; and
- working without proper documents or authority.

The issue of people living and working in the UK illegally has emerged as a source of concern for the British public, especially after the death of Chinese cockle pickers at Morecambe Bay in early 2004 who were thought to be undocumented workers. The issue has also gained legislative momentum with the passage through the UK parliament of a Private Member's Bill on regulating gangmasters who often knowingly or unwittingly employ undocumented workers.

Not surprisingly, estimating the scale of irregular migration to the UK, or elsewhere for that matter, is a difficult task. All the challenges of enumerating the scale of complex migratory flows are made even harder when it comes to counting people who are living or working illegally.

The most often-cited global estimates come from the International Organization for Migration's (IOM) *World Migration* reports. In its 2003 report the IOM estimated that the number of people moving illegally across border each year range from 700,000 to 2 million, similarly estimates of illegal movements into the Europe range from 120,000 to 500,000 each year (p. 314, Table 17.20). It also estimated that there are at least three million unauthorised foreigners in the EU, up from 2 million a decade ago (pp. 253-254, Textbox 13.4). Other estimates suggest that between 10 and 15 per cent of migrants already present in Western Europe, and between 20 and 30 per cent of new inflows, are undocumented (Schatzer 2001). Other regions of the world, notably North America, are also thought to have significant numbers of undocumented workers. The USA is estimated to have somewhere between 8 and 9 million in 2000, with about half of these thought to be Mexican nationals (IOM 2003: 143). Very few country-specific estimates for the UK exist.

Another way of estimating the scale of irregular migration is by looking at the numbers of people who come forward and register when host countries seek to regularise undocumented workers already in the country. Several EU member states have undertaken several rounds of regularisation in the 1990s with considerable success: Italy regularised 716,000 migrants, Greece 370,000, Spain, 260,000, France 78,000, and Portugal, 61,000.<sup>5</sup> In the last five years alone these schemes have resulted in more than one million migrants becoming regularised in EU member states (IOM 2003: 60). The UK has not undertaken such a scheme to date.

Yet another way of estimating undocumented workers is by looking at the numbers of people being removed from a country because they have somehow contravened immigration rules. In 2001, apprehensions of this nature for EU member states

<sup>&</sup>lt;sup>5</sup> See http://migration.ucdavis.edu/mn/more.php?id=2975\_0\_4\_0 and http://www.migrationinformation.org/feature/display.cfm?ID=144

totalled nearly 300,000.<sup>6</sup> The number of people removed from the UK as a result of enforcement action (not including asylum-related cases) increased from 5,820 in 1992 to 8,090 in 2002 (Home Office 2003: 93, Table 7.1). This increase might be the result of more irregular migration to the UK but it might also reflect the improving effectiveness of the immigration service in identifying, detaining and removing illegal immigrants.

The Government's approach to reducing illegal entry and illegal working focuses on the three broad principles of enforcement, international co-operation and prevention. Strategies being used to tackle irregular migration include:

- combating illegal working (improved enforcement action, less potential for fraud, effective gathering and sharing of information and working with business);
- strengthening the law;
- dealing appropriately with victims of trafficking;
- tackling the criminals through intelligence and enforcement operations;
- greater EU co-operation; and
- attempts to prevent flows of people from source and transit countries.

The links between irregular migration and human trafficking and smuggling makes the issue even more important to resolve. The Home Office estimates that around 75 per cent of those apprehended in the UK for evading immigration controls had some part of their journey facilitated by criminal gangs (Home Office 2002: 75). The Nationality, Immigration and Asylum Act 2002 addresses some of these issues by reducing the scope for fraud, and giving the police greater powers to search premises. The Act also extends penalties associated with being an 'illegal entrant' and targets people traffickers. The maximum penalty for assisting undocumented migrants was increased from 10 to 14 years' imprisonment.

In November 2003 the Home Secretary announced that he wanted to provide a 'way out' for migrants who work illegally in the UK but nevertheless provide much needed labour for the UK service sector. In a speech to the Royal Institute of International Affairs he said 'there is no doubt that a large proportion of our catering and hospitality industry, particularly in London and the south-east, are relying on clandestine employment' (14 November). While he ruled out a general employment concession, he did signal that the Government may implement something akin to 'earned regularisation'. Such a scheme exists in the USA to facilitate the legal employment of low-skilled Mexican migrants. The criteria to decide whether a migrant had 'earned' the regularisation of their immigration status in the UK could possibly include:

- the length of time they have been in the UK;
- the kind of economic contribution they make; and
- whether they had previously tried to take advantage of the UK welfare system illegally.

<sup>&</sup>lt;sup>6</sup> See also http://www.icmpd.org/default.asp?nav=research&folderid=408&id=296

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## Appendix 1: Top countries of origin of labour migrants

••	2001/2
Country	Migrant workers
country	who register
Russian	500
Uganda	500
Gambia	500
Ukraine	500
Mauritius	600
Norway	600
Brazil	700
Austria	700
Nepal	700
South Korea	700
Iran	800
Rumania	800
Thailand	800
Finland	800
Japan	900
Kenya	1,000
Belgium	1,000
Denmark	1,000
Turkey	1,200
Jamaica	1,300
Malaysia	1,300
Greece	1,400
Bulgaria Poland	1,600 1,900
Nigeria	2,100
Sweden	2,100
Sri Lanka	2,200
Canada	
Ghana	2,300
Bangladesh	2,400
5	2,600
Iraq Zimbabwe	2,600
Somalia	2,800
	2,900
Netherlands	3,000
China Peoples Rep USA	3,200
	3,400
Italy	4,400
Portugal	4,400
Afghanistan	4,800
Germany	4,800
New Zealand	4,900
Rep of Ireland	5,000
Spain Dhilippingg	6,600
Philippines	7,000
Pakistan	7,100
France	7,800
South Africa	9,300
India	10,300
Australia	11,400
All countries	156,400
Source: NIRS data f	TOM DWP

5	2002
Country	Work permits
country	(incl. extensions)
Colombia	212
Lebanon	212
Croatia	212
Latvia	213
Mexico	266
Slovakia	267
Indonesia	287
Iran Godin a dagad	299
Switzerland	315
Nepal	327
Egypt	440
British national	478
Israel	486
Singapore	561
Zambia	569
Brazil	588
Ukraine	591
Hungary	604
Hong Kong	661
Trinidad &	682
Czech Republic	683
Argentina	691
Sri Lanka	703
Lithuania	712
Mauritius	713
South Korea	741
Turkey	789
Romania	791
Thailand	866
Bangladesh	893
Kenya	973
Jamaica	973
Ghana	1,011
Bulgaria	1,238
Russia	1,474
Poland	1,857
Nigeria	2,629
Canada	2,882
Pakistan	3,039
Malaysia	3,319
New Zealand	3,345
Zimbabwe	3,789
Japan	3,837
China	4,482
Australia	8,007
Philippines	12,742
USA	12,742
South Africa	13,217
India	29,658
All countries	132,418
Source: Workpern	