Institute for Public Policy Research

IPPR

MEASURING THE BENEFITS OF INTEGRATION

THE VALUE OF TACKLING SKILLS UNDERUTILISATION

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ABOUT THIS PAPER

This report informs the national debate on migration and integration through new analysis of the labour market integration outcomes of migrants. In line with our charitable objectives, it helps to relieve poverty, unemployment and those in need due to their migration background, through making policy recommendations for supporting labour market integration and skills matching.

1. INTRODUCTION

In recent years, policymakers have placed renewed focus on the concept of integration. In 2018, the Ministry of Housing, Communities and Local Government published its green paper on an *Integrated Communities Strategy* (MHCLG 2018), and in 2019, the department published an *Integrated Communities Action Plan* to set out the next steps for its integration agenda (MHCLG 2019). In Scotland, the government recently set out a 'New Scots' strategy for refugee and asylum seeker integration (Scottish Government 2018), while in Wales the government has published its 'Nation of Sanctuary' refugee and asylum seeker integration plan (Welsh Government 2019). At the local level, many of the UK's major cities – including London, Glasgow, Cardiff, Liverpool, Peterborough and Bristol – have embarked on new and ambitious action plans for integration and community cohesion (Broadhead 2018).

In spite of this growing focus, the concept of integration is still highly contested. Some adopt an assimilationist or 'one-way' view on integration, where the burden of adapting to a new country is placed on the shoulders of newcomers, whereas others take a reciprocal or 'two-way' view, where all parts of society have a responsibility to foster social cohesion.

The government's proposed definition of integration, as outlined in its recent green paper, leans towards the latter view, characterising integrated communities as "communities where people – whatever their background – live, work, learn and socialise together, based on shared rights, responsibilities and opportunities" (MHCLG 2018). This defines integration without direct reference to migrants, instead conceptualising it as a collective endeavour to build community bonds.

Building on the government's definition, we propose a more explicit characterisation, based on three main conditions that need to be fulfilled in order for a community to be considered integrated. These conditions build on the work of IPPR's previous report, *The integration compact*, which sets out a case for a proactive government agenda on integration (Griffith 2018).

- An integrated community must be grounded in **equality** where, regardless of their background, everyone has equal access to basic services and is free from discrimination and hate crime.
- An integrated community must be one where, regardless of their background, everyone is enabled to make an economic and/or social **contribution**, and this contribution is recognised and appreciated.
- Finally, an integrated community must be one where there is sustained, meaningful and constructive **contact** between different people, regardless of their background.

Each of these conditions are necessary for a properly integrated community. A community that does not treat each of its members equally can never be fully integrated, as it creates different classes of citizenship and risks breeding tensions between those with privileges and those without. A community where people are not enabled to make an economic and social contribution also fails the integration test, since it does not give everyone a role to play in their community – leaving those who don't contribute unfulfilled and those who do resentful. And a community where different groups do not have meaningful contact is also not

an integrated one, because without sustained mixing it is impossible to build a collective sense of belonging.

This account of integration points to several different considerations in understanding and measuring outcomes – such as educational attainment, health outcomes, access to public services, and political participation. Any comprehensive programme of integration, then, should cut across a range of different policy areas, including education, health, policing, housing and citizenship. It should also factor in social considerations that can be harder to accurately measure, such as the existence of strong community ties, levels of intra-community contact, and social trust.

LABOUR MARKET INTEGRATION

One key component of integration relates to the labour market – that is, integration in the workplace. Often this is understood as the opportunity for everyone, irrespective of their background or nationality, to gain employment. This is understandable: finding a job can be a particularly fruitful route into building social and community bonds. Securing work is not simply a route to a steady income – it can also help people to forge new relationships, improve language learning, and offer the opportunity to make a meaningful economic and social contribution. But finding a job is far from the end of the story; in order for people to feel fulfilled in their workplace and to contribute as equals, the quality of work also matters. So an accurate account of labour market integration must look beyond an individual's employment status and also explore the quality of employment, including considerations such as pay, working conditions, and job level.

At its broadest definition, labour market integration is not a matter confined to migrants or refugees. It refers to the integration of everyone in the workplace, regardless of their background – whether this be age, gender, ethnicity or social class. But there are specific challenges for the integration of migrants – particularly recent migrants – that deserve attention. Notably, recent migrants may face additional barriers to finding high-quality employment – because it may take time to build networks, learn English, and familiarise themselves with the local labour market. Moreover, their educational or technical qualifications may not be properly recognised in the UK, which may well bar them from continuing to work in their specialised profession. In some instances, Home Office policy may also inhibit their integration – most notably, asylum seekers are generally banned from working in the UK while their application is being considered, while policies on work and study migration encourage short-term migration flows and discourage longer-term settlement.

Alongside these challenges, migrants also bring a number of assets to the economy, including new skills, perspectives and ideas. There is a range of evidence of the benefits of a diverse workforce – for instance, a study based on the rise in immigration from Central and Eastern Europe after 2004 found that in London, culturally diverse firms tend to be more innovative (Nathan and Lee 2011). Migrants also tend to be highly entrepreneurial – a study by Aston University has found that immigrants are twice as likely as white Britons to be early-stage entrepreneurs (Aston University 2018). And the language skills and country-specific knowledge of migrants can be particularly valuable for businesses seeking to enter into new export markets (Griffith and Morris 2017). There is therefore a clear argument for focusing efforts on integrating migrant groups into the labour market.

INVESTMENT IN INTEGRATION

There are three main reasons for the government to invest in the labour market integration of migrants. First, targeted support for labour market integration has

a direct benefit for migrants themselves. The government's laissez-faire approach to integration in recent decades has failed to sufficiently improve outcomes for migrants – as we explore in this paper, significant gaps in labour market outcomes are still present. Without sustained intervention and a proactive agenda for removing barriers in the workplace for migrants, these gaps are likely to persist.

But there are also two further reasons for investing in the integration of migrants into the labour market. On the one hand, there is a clear political case for a programme of investment. Attitudes to immigration are nuanced and dynamic, but one shared and long-standing issue for the public is the importance of contribution (Griffith 2018). As we found through our Local Migration Panels programme – which involved a series of residents' forums convened to inform local strategies for managing migration in Corby, Coventry and Sunderland – the public are far more supportive of migration when they recognise it as contributing to the UK economy and to the public finances, as well as to their local communities (ibid, Rutter and Carter 2018). Many members of the public also recognise that the workplace is a critical forum for encouraging social mixing (Rutter and Carter 2018). Investing in the integration of migrants in the workforce could therefore help to strengthen their contribution (as well as the perception of this contribution) and thereby serve to ease public concerns and local tensions. For this reason, there is a natural political case for pursuing an ambitious programme of integration investment as part of the government's broader agenda on immigration.

On the other hand, there is also a clear economic case for investing in the integration of migrants in the labour market. Boosting labour market outcomes for migrants – for instance, through increasing employment or improving pay – would be expected to have wider benefits for the UK economy. Addressing skills mismatches among migrant workers could help to address the UK's longstanding productivity problem. Productivity and wage growth could help to fuel spending and thereby increase aggregate demand. And boosting the incomes of migrants should improve the UK's fiscal position by increasing the tax intake.

The government has already made some recent commitments to invest in integration as part of its Integrated Communities Strategy. In particular, the government has announced funding of £50 million from 2018 to 2020 for the strategy, covering the following projects (MHCLG 2018, 2019).

- The **Integration Area programme**, aimed at working with five 'Integration Areas' (Blackburn with Darwen, Bradford, Peterborough, Walsall, and Waltham Forest) to co-design local integration strategies.
- The **Integrated Communities English Language Programme**, intended to provide community-based support for English language skills among those with very low levels of proficiency. There is up to £6 million available for the year beginning April 2019.
- A new **Integrated Communities Innovation Fund** to test innovative approaches to promote integration and build an evidence base on what works. The government has committed a total of £2.7 million to 14 new projects (MHCLG et al 2019).

In addition, MHCLG and the Home Office oversee the **Controlling Migration Fund**, designed to help local areas manage pressures associated with recent migration. The funding available for managing local services impacts, led by MHCLG, totals £100 million over the 2016–20 period.

While these funding commitments are a positive step and reflect the increasing attention paid to integration policy, total levels of spending on integration are by no means commensurate to the current challenge; indeed, funding per migrant in real terms has fallen significantly over the past decade (Griffith 2018). As the government prepares to undergo a new comprehensive spending review, there is a unique opportunity for a gear change in integration investment. Only with a fresh

injection of financial resources will the government's wide-ranging ambitions on labour market integration be fully realised.

This briefing reviews the evidence on the integration of migrants into the UK labour market. Using data from the Labour Force Survey and the Annual Population Survey, we identify and assess some of the key criteria for measuring how well migrants are integrating in the workplace. We place a particular focus on skills matching: even if a migrant has a job, do they have the 'right' job based on their skills? Drawing on this analysis, we assess the potential economic benefits of addressing migrant over-qualification. We do this by estimating the increase in economic output derived from improving the skills distribution of jobs taken up by highly qualified migrants so that it corresponds to the skills distribution of jobs taken up by similarly qualified UK born workers. Our findings suggest that there is a strong economic case for investing in the integration of both EU and non-EU migrants.

2.
INTEGRATION IN THE WORKPLACE

One of the primary measures of a migrant's integration in the labour market is whether they have a job. We therefore begin this section by exploring the participation of migrants in the UK labour market.

EMPLOYMENT

Using the Annual Population Survey, we find that there are variations in employment rates across genders and countries of birth (see figure 2.1). For working age EU born migrants, employment rates are extremely high – indeed, higher than for working age UK born people. For working age non-EU born migrants, however, there is a significant gender divide: working age non-EU born men have similar employment rates to their UK born counterparts, while working age non-EU born women have lower rates of employment. This is due to a relatively high proportion of non-EU born women who are economically inactive and who are looking after other family members. Unemployment rates, however, are generally very low across the board: 3 per cent for EU born and 6 per cent for non-EU born migrants, compared to 4 per cent for the UK born.

FIGURE 2.1

Employment rates by country of birth and gender (working age people only)
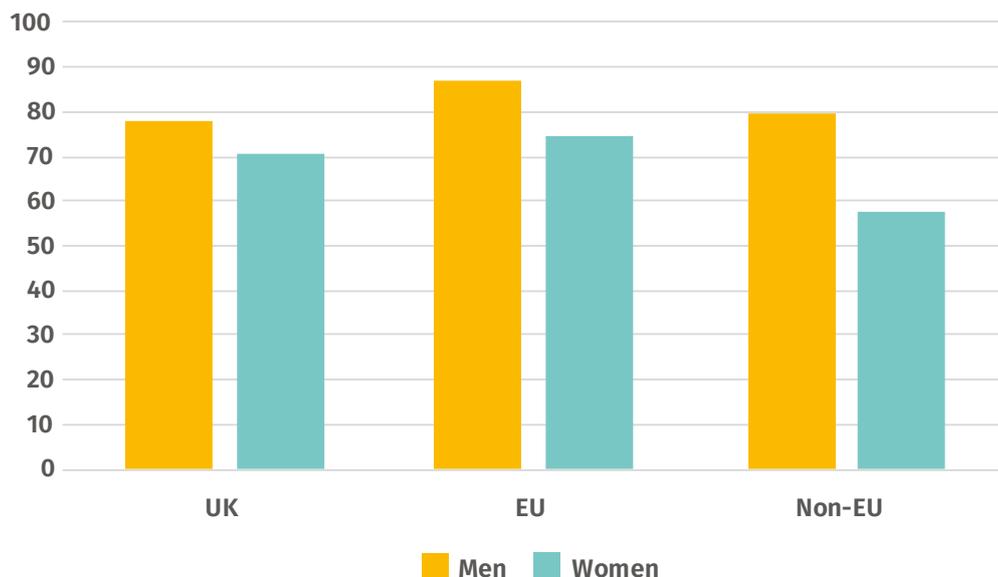
Source: ONS (2019)

Looking simply at employment rates, the UK performs well on this measure relative to other European countries. In an IPPR 2015 study of 24 European countries, the UK was the only country where EU migrants had higher employment rates than

non-migrants (excluding countries where data were not available) (Stirling 2015). The percentage point gap between the non-UK and UK born employment rate is around 3 per cent, compared to more than 10 per cent in other major European countries such as Germany, France, Belgium, Denmark, Sweden and the Netherlands (Eurostat 2018). While there is still a gap in outcomes for some migrant groups – particularly for women – the challenges facing migrants are not simply about labour market participation.

QUALITY OF WORK
An analysis of the quality of work taken up by migrants in the UK reveals a more concerning picture, as outlined below.

Wages
First, there is a clear gap in average wages between EU and UK workers: hourly wages for EU migrants are lower than the UK average (see figure 2.2). A further breakdown reveals that this is driven by notably low pay for migrants from the EU8 and EU2 countries (those from Central and Eastern European member states). Hourly wages for non-EU migrants are similar to the UK average, though there is some variation: Asian workers tend to earn somewhat less than UK workers, while migrants from the rest of the world (notably, North America and Australia) earn a little more.

According to this analysis, a higher than average employment rate for Central and Eastern European migrants appears to be counterbalanced by lower than average pay levels. This is largely driven by the types of jobs that migrants perform. EU workers from the new member states are more likely than UK workers to be employed in relatively low-skilled occupations, which tend to pay lower than other occupations. Once their occupation type is taken into account, the difference in pay between EU8 born, EU2 born and UK born workers is much smaller.

FIGURE 2.2

Median hourly wages by country of birth
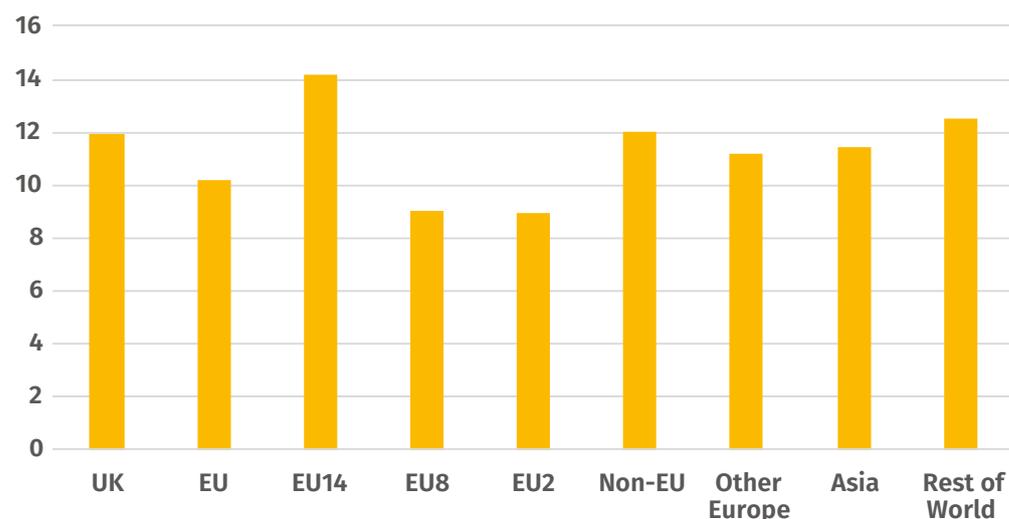
Source: ONS (2019)
Note: 'EU14' refers to Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Sweden. 'EU8' refers to Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. 'EU2' refers to Bulgaria and Romania.

Working conditions

The second issue is that EU and non-EU born migrants tend to be in jobs with poorer working conditions than their UK born counterparts. This in part relates to the type of contract taken up: according to the Labour Force Survey, non-EU migrants are somewhat more likely than average to be in zero-hours contracts (see figure 2.3). However, the Migration Advisory Committee has found that, when other characteristics such as gender, age, occupation and industry are taken into account, there is no difference between UK and non-EU born workers; the tendency to work in zero-hours contracts is therefore likely to be a function of non-EU migrants' demographic and labour market profiles (MAC 2018).

Furthermore, EU and non-EU migrants tend to work longer hours than those born in the UK, particularly if they work in lower-skilled occupations. Central and Eastern European migrants are particularly likely to work excessive hours – most notably, 12 per cent of EU2 workers (workers from Bulgaria and Romania) typically work more than 50 hours per week, compared to a national average of 7 per cent (ONS 2017). And compared to UK workers, migrants are also less likely to be unionised (see figure 2.4).
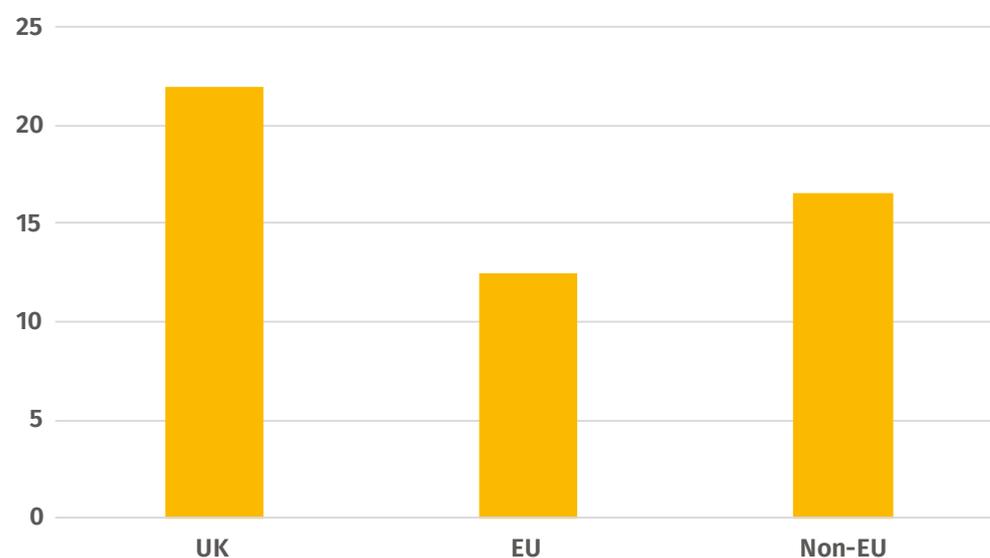
FIGURE 2.3

Employment on zero-hours contracts by country of birth
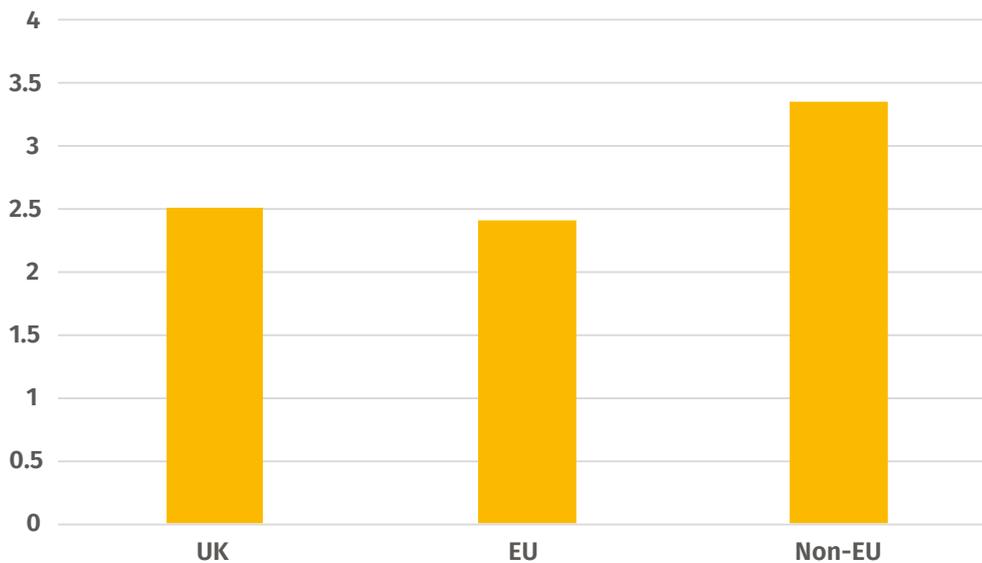
Source: NISRA/ONS (2019b)

FIGURE 2.4
Trade union membership by country of birth

Source: NISRA/ONS (2019b)

Skills mismatch

Finally, one of the greatest challenges facing migrants working in the UK is skills mismatch – that is, migrants are particularly likely to be overqualified for the work they do.

Over-qualification is a general challenge for the UK: as IPPR has previously noted, the UK has the highest levels of self-perceived over-qualification in the EU, and this is a potentially important driver of poor productivity growth (Dromey and McNeil 2017). According to recent studies, over-qualification is particularly intense among the UK's migrant workforce. While there are some methodological limitations in determining the qualification level of migrants, most studies indicate that migrants tend to be more highly educated than UK born people (see for example Rienzo 2018). Yet these educational achievements do not translate into corresponding success in the UK labour market. An ONS analysis of migration and the labour market in 2016 found that around a third of migrants were overeducated for their occupations, compared to 15 per cent of UK workers. The issue was most acute for citizens from the A8 countries (the Central and Eastern European states that acceded to the EU in 2004), of whom 40 per cent were classified as overeducated for their jobs (ONS 2017).

Migrant over-qualification has been a persistent challenge over the past decade (see figure 2.5). While our analysis of the Annual Population Survey suggests that the prevalence of over-qualification reduces as migrants spend more time living in the UK, there are still relatively high over-qualification rates among EU migrants who cannot be classified as having arrived recently.[1]

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1   For instance, among degree educated EU migrants who first arrived in the UK before 2010, there are still higher than average levels working in low or lower middle skilled jobs.

FIGURE 2.5
Share of overqualified workers by country of birth
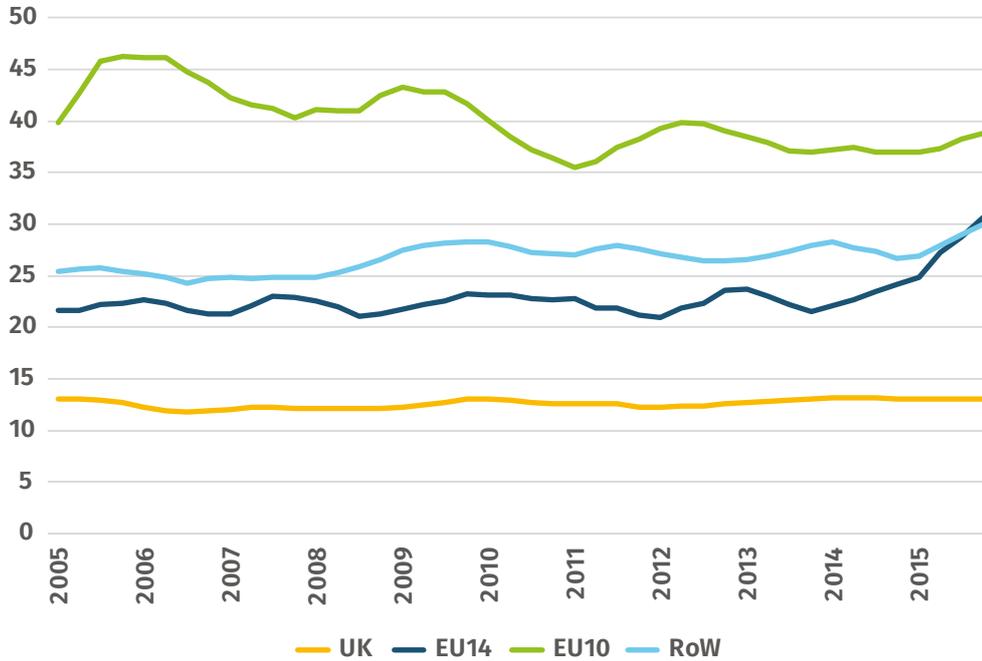
Source: ONS (2016)
Note: 'EU10' refers to EU8 and EU2 countries.

Moreover, over-qualification appears to be a particularly prevalent challenge in the UK. A recent study by the European Commission found that the UK has one of the most overqualified tertiary-educated EU migrant populations in the EU, alongside Italy and Austria (Biagi et al 2019).

ENGLISH LANGUAGE

It is widely understood that English language presents one of the main challenges for the labour market integration of migrants, and our analysis of the Labour Force Survey supports this (ONS 2019a). English is not the first language for approximately 61 per cent of EU working age migrants and 48 per cent of non-EU working age migrants. Out of those whose first language is not English (or Welsh, Gaelic or Ulster-Scots), around 15 per cent of EU migrants and 16 per cent of non-EU migrants record that language difficulties cause problems in finding or keeping a job. The challenge is particularly acute for unemployed non-EU migrants whose first language is not English, of whom 29 per cent say that language difficulties create employment barriers. Moreover, migrants' wages vary considerably according to their language profile: the median hourly wage for migrants with English as their first language is around £14 per hour, compared to around £9 per hour for those who have a different first language and who face employment barriers as a result.

Language also appears to be associated with the over-qualification issue. For workers at each qualification level, migrants whose first language is not English are more likely than other migrants to be concentrated in lower-skilled occupations – suggesting that English language difficulties could prevent migrants fully utilising their skills in the UK's labour market.

Our descriptive research is supported by regression analysis exploring the reasons for migrant over-qualification. A 2013 study found that, controlling for other characteristics, male immigrant over-qualification is linked to English language difficulties. It also found that over-qualification tends to decrease with age and the length of time spent in a job, confirming the intuition that migrants' integration into the labour market improves over time (Altorjai 2013).

The evidence presented in this section suggests that the headline employment figures only tell part of the story of migrant integration. For EU migrants in particular, a high employment rate conceals deeper challenges for labour market integration: the key concern is not if migrants are in work, but the quality of this work, including its pay and conditions. Moreover, the evidence of skills mismatch among migrants suggests that low pay cannot simply be explained by low educational qualifications. Rather, one of the central issues about migrant integration is that their qualifications are currently underutilised in the UK labour market.

A proactive labour market integration strategy should therefore address as a priority this waste of skills and talent among the UK's migrant workforce. As argued in the introduction, improving these outcomes would not simply help to foster more integrated communities and build public consent for migration, it would also bring economic benefits through higher wages and productivity. In the next part of this briefing, we look at these potential benefits for the UK economy, and attempt to quantify them.

3.
THE ECONOMIC BENEFITS OF SKILLS MATCHING

As we have seen, one of the biggest challenges for integration is skills mismatch: migrant workers, particularly those born in Central and Eastern European member states, are considerably more likely to be overqualified for their jobs than UK born workers. In this section, we estimate the loss to the economy that this over-qualification represents – or rather, the economic benefit of reducing over-qualification rates to match those of the UK born.[2]

Using data from the most recent Annual Population Survey (ONS 2019), we estimate the skill levels of UK born, EU born and non-EU born workers, based on their highest educational qualifications achieved. We recognise that the highest qualification achieved is not a comprehensive account of an individual's skills profile – it does not capture soft skills or technical skills learnt on the job (or indeed English language skills). Moreover, there are some limitations to the highest educational qualification variable in the Annual Population Survey: in particular, a relatively high share of migrants are classified as holding 'other' qualifications, because qualifications obtained outside the UK cannot always be easily translated into UK-based qualifications (ONS 2016, Rienzo 2018). However, given this is one of the only options for capturing qualifications in the Annual Population Survey, we have used it for this analysis as a proxy for skill level, while recognising its limitations.[3]

For highly educated workers, we cross-tabulate country of birth by occupational skill level, in order to determine the skills distribution of jobs taken up by well-qualified migrants.[4] We calculate cross-tabulations for those with degree-level qualifications and those with higher education/A-level qualifications. This shows that migrants with high levels of qualification are more likely than UK born workers to be concentrated in relatively low-skilled jobs. As expected, this is most pronounced for EU migrants. For instance, we find that only 2 per cent of UK born workers with degree-level qualifications are in low-skilled occupations, compared with 7 per cent of EU born and 4 per cent of non-EU born workers (see figure 3.1).

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2   Our methodology is similar to the approach taken to calculate the economic benefits of securing full representation of black and minority ethnic individuals across the workforce in BEIS (2017). We have also drawn on other studies of over-qualification such as Batalova et al (2016) and Holmes (2017).
3   The other option in the Annual Population Survey is using the variable 'age at which individuals completed full-time education'; while this variable gives fewer missing cases, it also has comparability issues as the length of compulsory education differs depending on a country's education system.
4   Occupational skill level is based on the classification outlined in Annex 2 of ONS (2017).

FIGURE 3.1

Skills distribution of occupation by country of birth for highly educated workers (%)

Degree-level or equivalent

Skill level	UK	EU	Non-EU
High	56	46	52
Upper middle	26	24	22
Lower middle	16	23	21
Low	2	7	4
Total	100	100	100

Higher education/A-level or equivalent

Skill level	UK	EU	Non-EU
High	19	13	20
Upper middle	35	29	23
Lower middle	38	39	44
Low	8	20	14
Total	100	100	100

Source: IPPR analysis of ONS (2019)

Moreover, over-qualification has direct implications for pay: the skill level of a job correlates with its hourly wages. For instance, employees in low-skilled occupations tend to have the lowest wages. For each entry in our cross-tabulations above, we therefore estimate the hourly wage. That is, we calculate the average hourly wage of degree educated workers and higher-educated/A-level educated workers for each skill level and for each country of birth grouping (see figure 3.2).

FIGURE 3.2

Average hourly wage according to occupational skill level and country of birth for highly educated workers (£)

Degree-level or equivalent

Skill level	UK	EU	Non-EU
High	22	22	23
Upper middle	18	19	20
Lower middle	13	12	12
Low	9	9	9
Total	100	100	100

Higher education/A-level or equivalent

Skill level	UK	EU	Non-EU
High	19	18	18
Upper middle	14	14	13
Lower middle	10	10	10
Low	9	8	9
Total	100	100	100

Source: IPPR analysis of ONS (2019)

Using the data on average hourly wages discussed above, and taking into account the average number of hours worked per week for each group, we are then able to estimate what would happen, for both degree educated and A-level educated migrants, if the skills distribution of their jobs reflected that of the UK born workforce. We calculate that reducing over-qualification among migrant workers so that it corresponds to over-qualification levels among the UK born would deliver an increase in annual economic output of approximately £7 billion.[5]

This additional economic output is important for three reasons. First, the UK has grappled with persistent productivity stagnation since the financial crisis. In this context, skills matching should be a relatively small and low-cost action with immediate benefits for productivity. Second, the increased output will generate significant income gains for workers. This is of direct benefit for their personal lives, alleviating potential financial pressure and ensuring a higher standard of living. Moreover, it is also likely to drive additional consumption, which plays an important role in creating new jobs and business opportunities. Third, there is likely to be a substantial fiscal benefit from skills matching. A full calculation of the fiscal impact of skills matching is beyond the scope of the report. However, based on estimates that the UK government receives approximately 33 per cent of GDP in tax revenue (OECD 2018), we can surmise that the increase in economic output should translate into approximately an additional £2.3 billion in tax revenue.

There are some important caveats to this analysis. It assumes no displacement – that is, no impacts on the employment or pay of UK born workers. Our calculations assume that employer demand for skills is flexible and that it is possible to rearrange work structures efficiently to benefit from these currently underutilised skills. In reality, in some instances there might be diminishing returns from improving the job skill levels of underutilised employees (due to a firm requiring a particular balance of lower and higher skilled positions, for example). And there may be additional costs associated with reorganising work structures to reflect the higher skills base of the workforce (such as costs involved in additional investment in automation) (Holmes 2017). This assessment therefore only represents one element of a full cost-benefit analysis of tackling migrant over-qualification (ibid).

It might be argued that pursuing a policy to encourage skills matching for migrants could have an adverse impact on the labour supply for lower-skilled jobs: transferring migrants into more highly skilled jobs could leave employers struggling to fill vacancies for lower-skilled work. This is similar to the argument that restricting migration into low-skilled work will lead to vacancies for these jobs. This argument is plausible in the short term: a sharp restriction in low-skilled migration would result in a serious negative shock to various industries. But in the long run, we would expect employers to adapt to the change in labour supply: as the Migration Advisory Committee argues, the view that the number and type of jobs are fixed by the demand side and that a reduction in supply will lead to vacancies is a variant of the lump of labour fallacy (MAC 2017). Following the same line of reasoning, the labour market would be likely to adapt to our proposals in the long term. Even in the short term, we would not expect significant labour market disruption, because our approach would not result in an immediate change to the labour market; rather, we propose for migrants' skills to be gradually recognised and utilised through active labour market policy.

Moreover, in the longer run, lower-skilled jobs are at the highest risk of being automated (PwC 2018), suggesting that a long-term strategy for migrant skills matching could complement future shifts towards the automation of lower-skilled work. There is therefore a clear case for pursuing migrant skills matching as part of a wider, long-term effort to create a more productive and more highly paid economy.

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5   For further details of the methodology, please see the spreadsheet published alongside this report.

4. RECOMMENDATIONS

Our estimates in the previous section suggest that there is a significant economic and fiscal reward for addressing skills matching. There is therefore an economic case – as well as a moral and political case – for investing in labour market integration, in order to remove the barriers currently preventing migrant workers from fully utilising their qualifications. But how should this investment be spent? We propose three priority areas.

1. **English language**

   As explored in the previous section, English language skills are a key facilitator of labour market integration. Yet funding for ESOL (English for Speakers of Other Languages) provision in England has fallen substantially in real terms over recent years, from £227 million in 2009/10 to £99 million in 2016/17 (using 2016/17 prices) (HCL 2018).[6] ESOL spending is demand-led, so there is no fixed budget; however the government has introduced a range of changes to ESOL funding over the past decade that have restricted learners' access to English language provision. This includes the restriction of ESOL full funding to those on 'active benefits' (such as jobseeker's allowance) and the ending of ESOL funding for workplace learning (ibid). In order to support English language learning among migrants, the government should therefore **reintroduce full funding for ESOL courses for those on other means-tested benefits and should end the restriction on ESOL funding in the workplace**. Where adult education budgets are being devolved, budget allocations to combined authorities should be increased to allow for these ESOL changes without compromising other spending priorities. This should reverse the trend in falling demand for ESOL and significantly expand opportunities for workplace English language learning. We estimate that this would lead to an increase in ESOL spending in the region of £200 million per year.[7] This is a small fraction of the estimated fiscal benefit of addressing migrant over-qualification.

2. **Skills recognition**

   We have found that over-qualification is one of the key labour market challenges for migrant workers. Skills recognition should therefore be a priority for investment. Currently UK NARIC (the National Recognition Information Centre) is the UK agency for the recognition of international skills and qualifications and provides a skills comparison service for individuals to secure official documentation of how their international qualifications compare with UK qualifications. However, this system has been critiqued for being limited in scope and at times inaccurate (Cerna 2011). The Scottish government has recently explored more innovative ways to address skills matching by funding a pilot migrant and refugee skills recognition and accreditation hub. Working closely with migrants and employers in the social care, construction, engineering, IT and hospitality sectors, the hub helps to ensure that migrants' skills and qualifications are recognised (Scottish Government 2019). The

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6   This includes funding from the Adult Education Budget and excludes MHCLG funding for community-based English language provision.

7   This estimate is based on the assumption that spending will return to the levels seen before the reforms to ESOL provision (£227 million in 2009/10); we then adjust for the increased size of the migrant population.

government should build on the approach taken in Scotland and **support pilot projects for migrant skills recognition and accreditation** in other parts of the UK. These projects could focus on particular sectors facing skills shortages, such as construction, IT, and social care.

3. **Local integration funds**

   As we argued in our previous report, *The integration compact* (Griffith 2018), integration interventions are best targeted at the local level, given that the specific challenges for integration vary according to each neighbourhood. Funding for integration should therefore be devolved to local authorities to give them the flexibility to spend as they see fit. We propose that part of any **additional spending on labour market integration should be delivered by local authorities via 'local integration funds'**. These funds could comprise resources from an expanded Controlling Migration Fund and other relevant funding streams, alongside supplementary grants from local stakeholders with an interest in supporting migrant integration – for instance, employers and higher education institutions.

   A key priority of these local integration funds should be to support skills matching. Local authorities should aim to coordinate the funding to align with their wider economic agendas, such as their strategies for inclusive growth. Where adult education budgets are being devolved, combined authorities with large migrant communities should consider using their new powers to expand ESOL provision. Where possible, they should explore how to leverage additional funding from local employers by, for instance, offering match funding for English language training. Local authorities should also identify ways to include meaningful input from local residents – such as through local citizens' panels – in decision-making on integration spending.

5.
CONCLUSION

This briefing has illustrated the potential benefits of utilising migrants' untapped skills to the UK economy. While compared to other European countries the UK has a relatively good record on getting migrants into work, it could make far better use of migrants' skills, experiences and qualifications. According to our estimates, addressing over-qualification could add around £7 billion to the UK's annual economic output. There is therefore a strong economic case for a new programme of investment in labour market integration – including in English language proficiency, which our research suggests is associated with poor labour market outcomes such as over-qualification.

The government's *Integrated Communities Strategy* (MHCLG 2018) and *Integrated Communities Action Plan* (MHCLG 2019) set out a way forward for supporting migrant integration, but it will only be able to make a meaningful difference with a correspondingly ambitious funding settlement. The forthcoming spending review offers an opportunity for the government to set out wide-ranging commitments for integration funding. If the government is committed to tackling inequalities in our labour market, to maximising the contribution of migrants, and to facilitating greater social contact between communities, then this funding settlement will be a critical step in bringing its integration ambitions into reality.

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