

# MOVING UP THE LADDER? LABOR MARKET OUTCOMES IN THE UNITED KINGDOM AMID RISING IMMIGRATION

By Tommaso Frattini



**A Series on The Labor Market Integration of New Arrivals in Europe:  
Employment Trajectories**



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## Executive Summary

The decision to forgo restrictions on the inflow of workers from new European Union Member States marked a critical turning point in the immigration history of the United Kingdom. Starting in 2004, a large influx of labor from Eastern European countries—especially Poland, Latvia, and Lithuania—transformed the country’s immigrant population, labor market, and public attitudes to immigration.

From 2000 to 2012, the foreign-born working population expanded by more than 70 percent. The expansion was mostly due to a surge in labor migration, especially from new EU Member States, but the 2000s also saw an expansion of foreign students and growing asylum flows from new countries of conflict (such as Iraq, Afghanistan, and Somalia), diversifying the existing immigrant population.

Using data from the UK Labour Force Survey, this study analyzes the labor market integration of the recent immigrants in the United Kingdom and distinguishes between different cohorts based on the year of their arrival in the country. This analysis indicates that these new arrivals fared relatively well in the workforce. In part as a result of their relative youth and high education levels, many new arrivals (especially those from the European Union and in particular the EU-12 countries<sup>1</sup>) moved straight into work. The plentiful supply of labor from immigration coupled with the United Kingdom’s flexible labor market encouraged job creation—and much of the 2000s were a period of economic boom. While the economic crisis of 2008 and subsequent recession affected employment rates, the United Kingdom did not experience the large-scale unemployment that other countries suffered. However, immigrants who entered after 2008 found it more difficult to get work.

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### *New arrivals fared relatively well in the workforce.*

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Newcomers —especially those who have arrived since 2000—were far more likely than natives to be in the lowest-skilled jobs. New arrivals from within the European Union were almost three times more likely to be in low-skilled work than natives in 2012 (29 percent compared to 10 percent). However, over time all groups showed some progress in moving out of the lowest-skilled jobs.

A number of factors shape occupational mobility in the United Kingdom:

- **Country of origin.** Mobile citizens from the EU-12 (countries that joined the European Union since 2004) displayed exceptionally high employment rates (more 80 percent, compared to 75 percent for natives for most of this period) only a few years after arrival, but were far more likely to be in the lowest-skilled work (especially among more recent cohorts). Their high levels of education point to a degree of “brain waste.” Arrivals from elsewhere in the European Union started off with lower employment rates (around 70 percent) but improved over time, leveling out at around 80 percent. Immigrants from outside the European Union were a mixed group, comprising high-skilled labor migrants on the one hand and asylum seekers and family members on the other. Overall, this group had lower employment rates but better occupational outcomes: they achieved employment rates of around 70 percent after a decade of residence and were much less likely to be employed in low-skilled work (in line with the selective approach to labor migrants from outside the European Union).
- **Level of education.** Workers with a high level of education enter the labor market strongly and their employment rates exceed 80 percent after eight years of residence (and even more rapidly for recent cohorts). At lower levels of education, however, employment rates do not improve considerably over time. Those who left school before age 17 have more volatile employment rates,

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1 The EU-12 countries joined the European Union in 2004 or 2007, and are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia. Although Cyprus and Malta joined in 2004, they are excluded from the analysis because UK data sources, which typically focus on “A8” countries, also leave them out.



suggesting they move in and out of employment, but they also show the largest declines in lowest-skilled work (from 44 percent to 30 percent for those arriving from 2000-01) although from a higher baseline.

- **Time of arrival.** Subsequent cohorts showed better employment rates. After a year of residence, the 2000-01 cohort's employment rate was 59 percent, whereas it was 70 percent for the 2004-05 cohort. The native employment rate was 75 percent in both cases. These trends are directly reversed when it comes to low-skilled work, suggesting a degree of selective labor market participation. The rapidly changing composition of the cohorts of arrival is also likely to underpin these trends. The effects of the crisis can be observed in the employment rates of the 2008-09 cohort, which entered the labor market with employment rates under 60 percent, around the same as the first cohort in this study.

There is some evidence of sectoral concentration among new arrivals. For example, recent mobile EU citizens are ten times more likely to work in agriculture than those from outside Europe and more concentrated in manufacturing, hotels, and restaurants than earlier arrivals. Within the sectors that newcomers are most concentrated in, hotels and restaurants showed a marked decrease in the proportion of new arrivals in the lowest-skilled jobs. As this is the sector with the highest and most stable concentration of immigrants, these findings suggest that some were able to move up the occupational ladder within the sector as they acquired UK-specific work experience. Meanwhile, the share of newcomers in construction and manufacturing (the next largest immigrant sectors) increased over time (although with some fluctuations). Of course, in the absence of longitudinal data it is impossible to determine whether this was due to the change in these sectors, job losses, or return migration.

### **Box I. Situating the Research: A Series on Employment Outcomes among Immigrants and Mobile EU Citizens in Europe**

This report is one of six case studies completed during the first phase of a recent Migration Policy Institute project evaluating the ease with which foreign-born workers within the European Union are able to establish themselves in destination-country labor markets during the first ten years after arrival. The project evaluates the conditions under which new immigrants are able not only to find employment, but also to progress out of unskilled work into middle-skilled jobs. The low wages paid for most unskilled work mean that immigrants (or native workers) who are unable to move out of these positions into higher-skill, higher-paid jobs after a few years are at risk of poverty and social and economic marginalization.

The case studies in this phase of the project consider the influence of individual characteristics and broader economic conditions on the employment prospects of foreign-born workers. The second phase of the project will evaluate the effectiveness of integration and workforce development policies in helping foreign-born workers overcome these barriers and move up into middle-skilled positions that pay a family-sustaining wage.

The six case study countries are the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom.

## **I. Introduction**

The United Kingdom has long received immigrants from across the globe. In the post-World War II period, Europeans and Irish nationals benefited from free movement and settlement rights, as did nationals from former British colonies such as India and Jamaica until the late 1960s and 1970s.<sup>2</sup> By the 2000s, there was a well-established foreign-born population in the country, coming mostly from Western Europe or from the New Commonwealth countries.

<sup>2</sup> Will Somerville, Dhananjayan Sriskandarajah, and Maria Latorre, "United Kingdom: A Reluctant Country of Immigration," *Migration Information Source*, July 2009, [www.migrationpolicy.org/article/united-kingdom-reluctant-country-immigration/](http://www.migrationpolicy.org/article/united-kingdom-reluctant-country-immigration/).





## Box 2. Data and Definitions

This analysis is based on the UK Labour Force Survey (LFS), a quarterly sample survey of about 60,000 households conducted by the Office for National Statistics. While the LFS is the largest and longest-standing nationally representative continuous survey available in the United Kingdom, it was not designed especially for the study of immigration. As a result, the number of sampled immigrants is relatively small, reflecting the proportion of immigrants in the total population.

This study uses the LFS for 2000-12, pooling together all quarters within each year to increase the sample size. Throughout the report, “immigrants” are defined as foreign born, and “recent” immigrants are those who arrived in the United Kingdom since 2000. Additionally, people from other EU countries are “mobile EU citizens.” The EU-12 refers to the Central and Eastern European countries that joined the European Union in 2004, namely Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia; and in 2007, namely Bulgaria and Romania. Note that in this report, Cyprus and Malta are excluded from the EU-12 list because UK data sources, which have historically analyzed the “A8” list of countries, have also typically left them out.

The study always compares three groups, based on individuals’ country of birth: natives, mobile EU citizens from within the European Economic Area (EEA; and including Switzerland), and non-EEA immigrants, otherwise known as third-country nationals. The sample is restricted to the working-age (18-64) population only, with a particular focus on those who arrived in the United Kingdom since 2000. Additionally, the study assesses outcomes for five cohorts arriving between 2000 and 2009, separated according to their years of arrival in the United Kingdom. The first cohort are those who arrived between 2000 and 2001; the second cohort from 2002-03; and so on.

Finally, the study classifies occupations based on the United Kingdom’s Standard Occupational Classification (SOC) 2000, and sectors of activity based on the Standard Industrial Classification (SIC) 1992. For a full explanation of how the UK LFS uses SOC and SIC, see Appendix I.

*Note:* European Economic Area (EEA) countries as of 2012 are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Republic of Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden. We include Switzerland in this group because, although not formally part of the EEA, it is linked to the European Union by a series of bilateral agreements.

The 2000s was a period of unprecedented boom in new arrivals. The Labour administration (in power from 1997 to 2010) expanded skilled migration, actively recruited foreign students, and chose not to impose restrictions on workers from the new members of the European Union (2004 accession countries). Eastern European labor migrants moved into largely low-skilled jobs in sectors such as hospitality, manufacturing, and construction. Meanwhile, asylum and refugee inflows from countries such as Afghanistan, China, Iraq, Somalia, and Zimbabwe contributed to a boost in the population—both in numbers and diversity. All told, between 2000 and 2012, the working-age foreign-born population increased by more than 70 percent, from about 3.5 million to 6 million.<sup>3</sup>

Burgeoning immigration flows brought a sizeable downturn in public confidence in the management of immigration. Partly in response to increasingly negative public attitudes, the government enacted numerous changes during the 2000s, including the introduction of a points-based system for skilled immigrants, an end to low-skilled immigration for non-EU workers, and instigation of an independent body to advise on labor shortages—the Migration Advisory Committee. More recently, the Conservative-Liberal Democratic coalition (in government since 2010) has introduced a cap on non-EU labor migration and minimum salary threshold for bringing in family members.

The United Kingdom was also experiencing an economic boom for much of this period, which, coupled with its flexible labor market, made employers keen to hire immigrants. The years since the recession have

<sup>3</sup> Author’s analysis based on the UK Labour Force Survey (LFS). See UK Data Service, “Labor Force Survey,” accessed May 12, 2014, <http://discover.ukdataservice.ac.uk/series/?sn=2000026>.

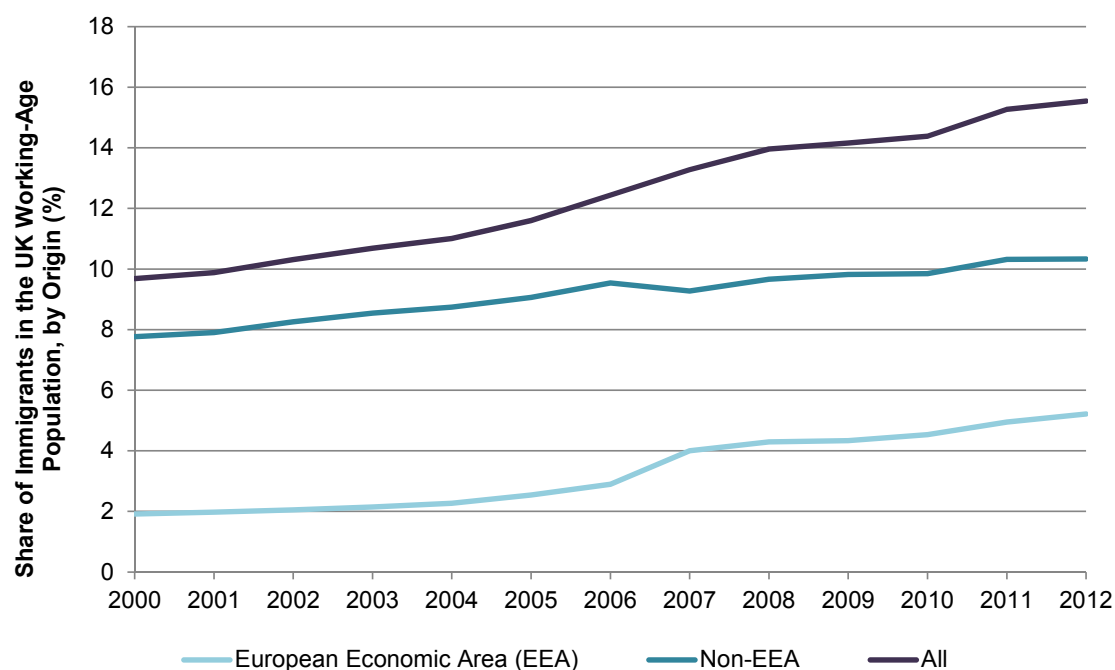
brought a reduction in net inflows, especially those from Eastern Europe.<sup>4</sup> Yet, these workers are now permanent fixtures in the UK labor market; many who came on a short-term basis are now permanent residents.

This report focuses on the labor market trajectories of immigrants. It provides an overview of the integration of the recent cohorts of these newcomers in the UK labor market between 2000 and 2012. It assesses the extent to which these new arrivals were able to enter work and move up into skilled jobs, and surveys the sectors of the economy that have proven most amenable to this progression.

## II. Immigration in the United Kingdom

The foreign-born labor force increased enormously over the last decade. From 2000 to 2012, the share of foreign-born workers in the working-age population rose from 9.7 percent to 15.6 percent (see Figure 1). This immigration boom was driven primarily by the rise in arrivals from new EU Member States, or the EU-12. Between 2006 and 2007 alone the stock of immigrants from European Economic Area (EEA) countries increased by about 1 percent of the size of the working-age population.<sup>5</sup> Labor market restrictions almost everywhere else in Europe (apart from Ireland and Sweden), high unemployment in sending countries, sizeable wage differentials, the pull of English language, flexibility of the labor market, and considerable labor demand contrived to make the United Kingdom the top destination for immigrants from new Member States.

**Figure 1. Working-Age Immigrants as a Share of Total UK Working-Age Population, 2000-12**



Source: Author's analysis based on United Kingdom Labour Force Survey (LFS) data. See UK Data Service, "Labour Force Survey," accessed May 12, 2014, <http://discover.ukdataservice.ac.uk/series/?sn=2000026>.

4 Madeleine Sumption, "Foreign Workers and Immigrant Integration: Emerging from Recession in the United Kingdom," in *Migration and the Great Recession: The Transatlantic Experience*, eds. Demetrios G. Papademetriou, Madeleine Sumption, and Aaron Terrazas (Washington, DC: Migration Policy Institute, 2011).

5 The labor market integration of mobile citizens of EU-12 countries has been studied by Stephen Drinkwater, John Eade, and Michal Garapich, "Poles Apart? EU Enlargement and the Labour Market Outcomes of Immigrants in the United Kingdom," *International Migration* 47, no. 1 (2009): 161-90.





## Educational Attainment, Gender, and Age Distributions

Arrivals to the United Kingdom since 2000 have, on average, been younger and better educated than the native population (see Table 1). EEA, and especially EU-12 workers are especially likely to be young (averaging ages of 31 and 30 respectively), while immigrants from outside the European Union are slightly older (32) compared to an average age of 40 for natives.<sup>6</sup> While over half of natives have a low level of education, just 9 percent and 14 percent (respectively) of recent EEA and non-EEA arrivals left school before age 17. One possible explanation for this is that the educational advantage of immigrants reflects their younger age composition. But even within the age bracket of 25 to 35, the share of the highly educated is much higher for immigrants (51 percent) than for natives (26 percent).

**Table 1. Characteristics of Recent Immigrants to the United Kingdom, 2000-12**

	Average Age	Share Women (%)	Highly Educated (%)	Low Educated (%)	Highly Educated, Ages 25-35 (%)	Low Educated, Ages 25-35 (%)
Natives	40.8	50	16	52	26	43
<b>Recent Arrivals</b>						
Arrivals from European Economic Area (EEA)	30.6	50	41	9	51	7
EU-12	30.4	50	37	9	47	7
Other EEA	31.0	51	49	11	61	8
Non-EEA Arrivals	32.2	50	42	14	51	12
<b>Arrival Cohorts</b>						
2000-01	33.1	50	40	16	46	15
2002-03	32.3	50	41	14	49	12
2004-05	31.7	49	42	11	51	8
2006-07	30.8	50	43	10	55	8
2008-09	29.5	49	41	10	55	8

*Note:* “Highly educated” individuals are those who left full-time education at age 21 or later, and “low-educated” individuals are those who left full-time education before age 17.

*Source:* Author’s analysis based on UK LFS microdata.

## III. Employment

Immigrants in the United Kingdom were on average more likely to be out of work than natives. In 2012 the employment rate (the ratio of the number of employed to the working-age population) of all recent immigrants was 68 percent, compared to 73 percent for natives. However, the employment rate of those from the EEA exceeded that of natives, at 76 percent on average, while the employment rate of non-EEA migrants fell slightly below, at 64 percent. This masks considerable variation: for example, other studies have found that

<sup>6</sup> Because of data limitations over time, this report defines “highly educated” individuals as those who left full-time education at age 21 or later, and “low-educated” individuals as those who left full-time education before age 17. Although this is admittedly an imperfect measure of education—in that it does not allow for country differences in school starting age or in the number of years of high school, for instance—it is the best available source of information on immigrants’ education in the UK LFS over time. Note that part of the large gap may be due to the definition of education adopted, which is based on the age at which individuals left full-time education. In 2011, when precise information on foreign qualifications is available, the share of highly educated individuals is 20 percent for natives, 39 percent for EEA migrants, and 43 percent for non-EEA immigrants. Conversely, the share of individuals with a university degree is 21 percent for natives, 32 percent for those from EEA countries, and 38 percent among immigrants from non-EEA countries.

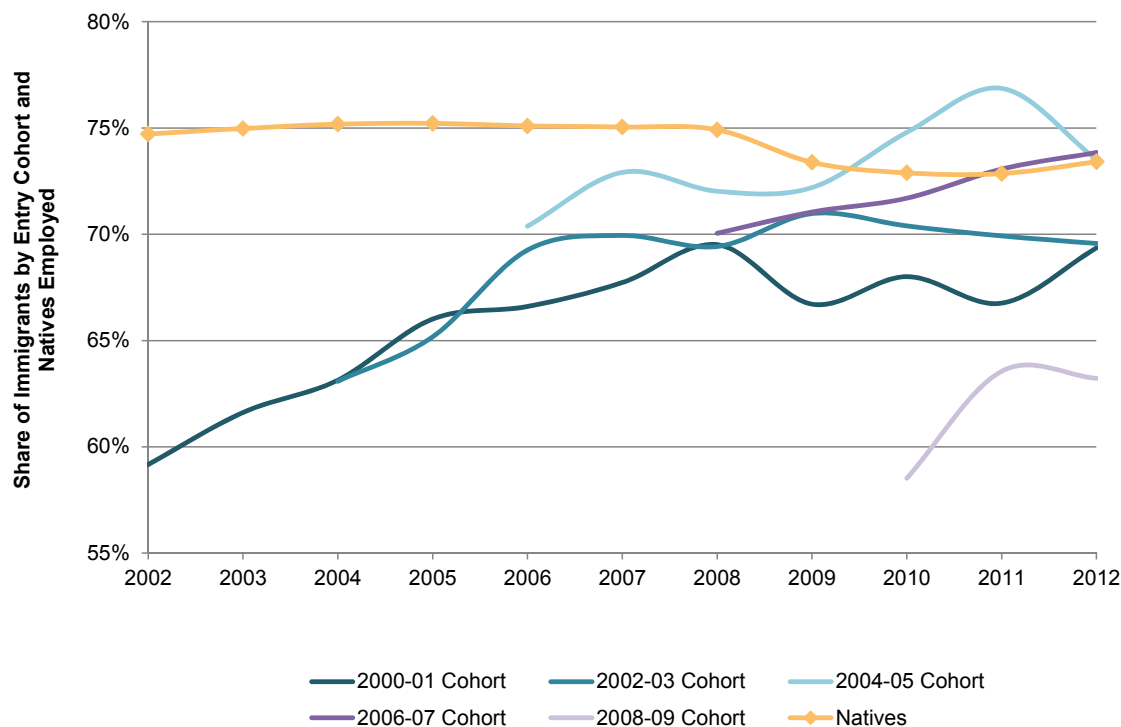


female employment rates were as low as 20 percent in 2008 for immigrants from Iraq and Bangladesh, and 10 percent for immigrants from Somalia.<sup>7</sup>

The period from 2000 to 2012 saw significant fluctuations both in economic stability and the composition of successive arrival cohorts. Despite this, the trajectories of each cohort are largely determined by how much time they have spent in the country, rather than the economic conditions around them. As time passed, these newcomers improved their host-country human capital, from knowledge about how to navigate the local labor market to language skills—and accordingly, their employment rates rose significantly (see Figure 2). But not all cohorts fared equally. Successive cohorts performed better as a result of policy changes that affected the demographic and socioeconomic characteristics of the cohort, such as EU enlargement and the points-based system, which allowed fewer non-EU low-skilled workers into the country.

Of course, this period also saw a deep recession from 2008 to 2009 following the global financial crisis, and repercussions from the eurozone crisis of 2011-12. This dire economic situation also did not, as might have been expected, lead to large-scale unemployment. Native employment saw only a slight dip as a result of the recession, from 75 percent in 2007 to 73 percent in 2010. While immigrants fared worse during the recession overall, early cohorts appear to have been largely insulated from its effects. Still, the scarring effects of having entered the labor market during the recession are highly visible for the 2008-09 cohort, whose employment rates are far below those of earlier cohorts (see Figure 2).

**Figure 2. Employment Rates of Natives and Recent Immigrants by Entry Cohort, 2002-12**



Source: Author's analysis based on UK LFS microdata.

The following sections evaluate the role of a number of individual characteristics on employment rates, including region of origin, level of education, gender, and age.

## A. Region of Origin

A large amount of variation in employment outcomes in the United Kingdom can be explained by region of origin, and EU-12 immigrants were especially likely to enter directly into work (see Figure 3). The earliest arrivals saw their employment rates improve most (e.g., from 70 percent in 2002 to 86 percent in 2006 for

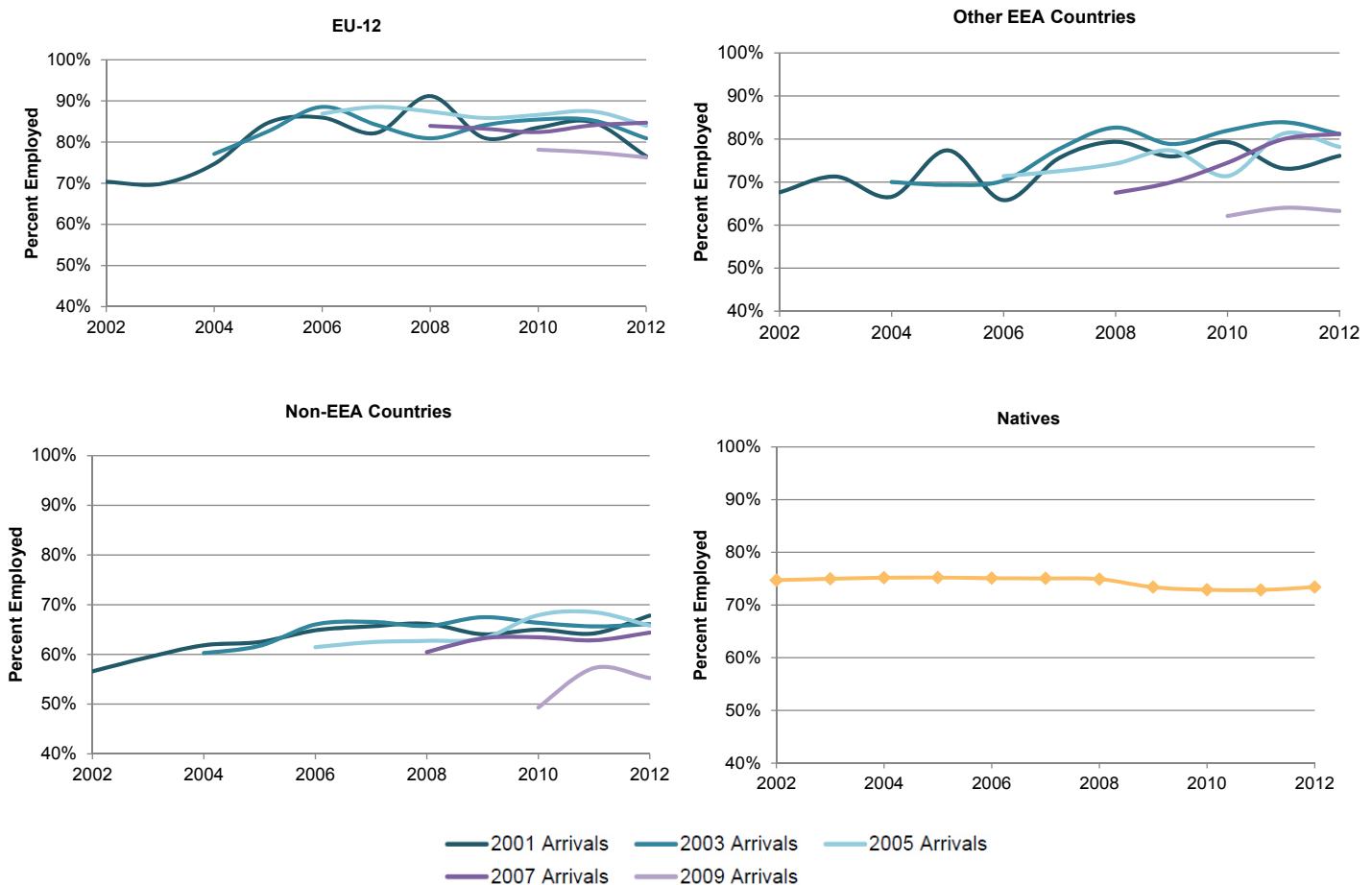
<sup>7</sup> Sumption, "Foreign Workers and Immigrant Integration: Emerging from Recession in the United Kingdom."



the 2000-01 cohort). This improvement may have resulted from the relaxation of working restrictions for nationals of countries that joined the European Union in 2004 during this time. While the recession had a clear impact on the outcomes of the most recent cohort, the cohort still entered the country with higher employment rates than natives.

Newcomers from elsewhere in the EEA were less likely to be employed shortly after arrival. But they also showed greater gains over time (from 67 percent to 76 percent over a decade for the 2001 cohort). Non-EEA immigrants displayed a similar trend: lower employment rates, but a gradual improvement over time (from 57 percent to 68 percent over a decade for the 2001 cohort).

**Figure 3. Employment Rates by Recency of Arrival and Nativity, 2002-12**



Source: Author's analysis based on UK LFS microdata.

## B. Level of Education

Level of education is also an important determinant of early employment outcomes (see Figure 4). Those who leave education at 21 or older (in other words, who are likely to have a tertiary degree) enter the labor market strongly and exceed employment rates of 80 percent, thus reaching the employment level of similarly educated natives, after eight years of residence (and recent cohorts achieve this rate even more quickly). For those with an intermediate level of education (meaning they left education between the ages of 17 and 20), time since arrival was less significant as a determinant of employment outcomes. For example, the 2001 cohort improved their employment rates by only three percent in a decade (from 65 to 68 percent).

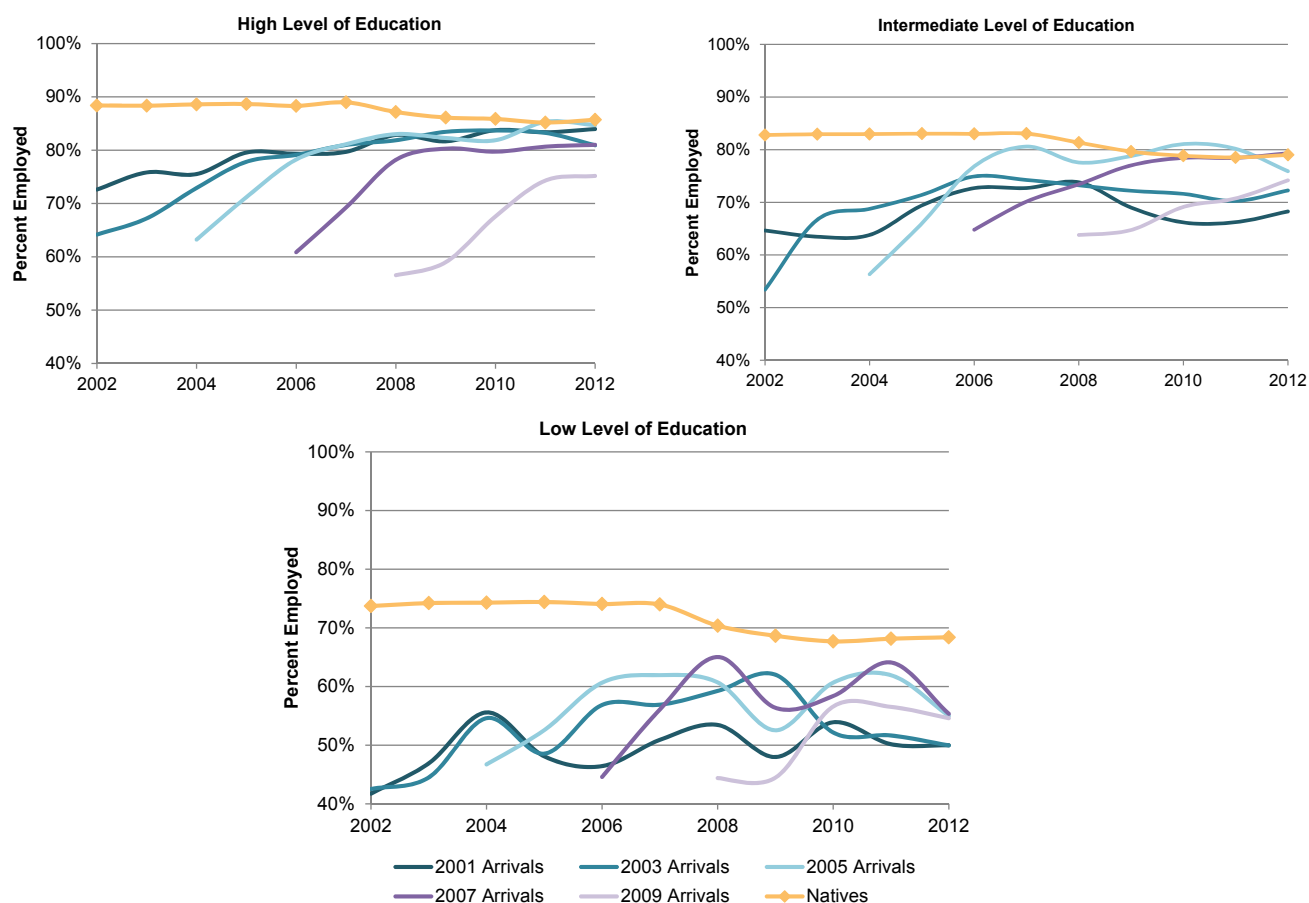
Immigrants with a low level of education (meaning they left school before age 17) also failed to significantly

### Box 3. Levels of Education

We define as “highly educated” individuals who left full time education at age 21 or later, and as “low educated” individuals who left full time education before 17. Although this is admittedly an imperfect measure of education—which, for instance, does not allow for country differences in school starting age or in the number of years of high school—it is the best available source of information on immigrants’ education in the UK LFS over time. Until 2010, in fact, the UK LFS recorded most foreign educational qualifications as “other qualifications” and the comparison of qualification levels between immigrants and natives is therefore problematic.

improve their employment rates over time: for all cohorts they remain at or below 55 percent in 2012, without reaching the employment rate of low-educated natives. More recent cohorts saw their employment rates drop over time suggesting that low-educated recent arrivals were especially hard hit during the recession. Employment among the lowest skilled was also much more volatile than for the other two groups. While the high-skilled appeared to stay employed, the low-skilled were more likely to move in and out of employment.

Figure 4. Employment Rates by Recency of Arrival and Level of Education, 2002-12



Source: Author’s analysis based on UK LFS microdata.



### C. Comparing Economic Conditions and Individual Characteristics as Explanations for Employment Outcomes

Using a regression analysis to explore the relative impact of individual characteristics and economic conditions on immigrants' employment outcomes (see Appendix 2), this study finds that when economic conditions are controlled for, through the inclusion of dummy variables for observation years, EEA immigrants are on average 5 percentage points more likely than natives to be employed, while non-EEA immigrants are 13 percentage points less likely. This suggests that differences between these groups are not the result of changes in the economy alone.

However, controlling for observation year *and* gender, age, and education generates strikingly different results: a recent EEA immigrant or mobile EU citizen is only about 2 percentage points *less* likely to have a job than a comparable native, while the gap for non-EEA recent immigrants increases to 18.4 percentage points. These results indicate that EEA workers are more likely to be employed relative to natives due to their younger age and higher education, while the employment gap of non-EEA immigrants would be even larger were it not for their favorable education and age profiles. This provides some counter-evidence to the view that Eastern European migrants are more readily employed because they purportedly have a tendency to enjoy hard work.

## IV. Occupational Distribution

Employment is only one dimension of labor market integration—another meaningful measure of outcomes is the distribution of occupations, and particularly the extent to which newcomers are able to get work that is commensurate with their skills and move from low-skilled to higher-skilled work over time.

A number of obstacles hinder these outcomes, including a lack of personal and professional contacts, limited host-country language proficiency, and discrimination. These barriers increase the risk that immigrants stagnate in low-skilled jobs where they are unable to use or develop their skills.

In 2012, newcomers were on average two-thirds more likely than natives to be employed in elementary occupations: the least-skilled and worst-paid occupational category (see Table 2). This category of jobs are often paid at the level of minimum wage (or less);<sup>8</sup> including those jobs sometimes known by the “three Ds” (dirty, dangerous, and demeaning), such as domestic helpers, cleaners, caretakers, garbage collectors, farmhands, and building laborers. At the same time, newly arrived immigrants were also overrepresented in professional occupations, a category that includes teachers, doctors, lawyers, and architects. The occupational distribution of immigrants in the United Kingdom therefore forms the shape of an hourglass or U-shape, with higher proportions of high- and low-skilled workers than middle-skilled ones.

8 For evidence of noncompliance with the national minimum wage, especially for certain vulnerable groups such as migrant domestic workers, see Low Pay Commission, *National Minimum Wage: Low Pay Commission Report 2012* (London: UK Department for Business, Innovation, and Skills, 2012), [www.lowpay.gov.uk/lowpay/report/pdf/8990-BIS-Low%20Pay\\_Tagged.pdf](http://www.lowpay.gov.uk/lowpay/report/pdf/8990-BIS-Low%20Pay_Tagged.pdf).

**Table 2. Occupational Distribution of Immigrants and Natives, 2012 (%)**

	Natives	All Immigrants		Recent Arrivals (2000-12)		Median Hourly Pay (GBP; 2000-12)
		European Economic Area (EEA)	Non-EEA	EEA	Non-EEA	
Managers and Senior Officials	15.8	12.2	14.2	7.6	12.4	14.1
Professional Occupations	13.1	13.2	18.5	10.0	18.3	15.0
Associate, Professional, and Technical	16.2	12.7	16.2	10.7	16.0	11.3
Administrative and Secretarial	11.6	6.5	7.9	5.4	6.2	7.8
Skilled Trades Occupations	10.7	11.1	7.0	12.6	6.5	8.3
Personal Service Occupations	8.9	6.6	9.3	5.7	11.1	6.4
Sales and Customer Service Occupations	7.6	4.7	7.2	5.2	8.0	5.7
Process, Plant, and Machine Operatives	6.2	10.4	6.9	13.5	5.7	7.3
Elementary Occupations	9.9	22.7	12.9	29.3	15.8	5.7

*Notes:* This table groups occupations into the nine major groups of the Standard Occupational Classification (SOC) system, designed to reflect the general level of qualifications, training, skills, and experience commonly associated with the competent performance of work tasks in each group. Occupations are ranked according to the official SOC numbering, which broadly corresponds to the level of skills required in each occupation. The last column reports the median hourly pay in each occupation over the period 2000-12, expressed in 2005 pounds.

*Source:* Author's analysis based on UK LFS microdata.

Non-EEA immigrants enjoy better occupational outcomes than workers from the EEA: they are less likely to be employed in elementary occupations (13 percent vs. 23 percent), and more likely to be employed in high-skill and high-pay occupations. One of the factors explaining this is admissions policy. The UK government no longer grants visas to low-skilled workers from outside the EEA (ever since the introduction of the points-based system in 2008), hence those who entered as low-skilled workers are unlikely to be from outside the EEA. Of course, immigrants from within the European Union do not exclusively hold the low-skilled jobs. Those who entered as high-skilled workers under the points-based system may be underemployed in low-skilled work, while others who entered through other channels, such as family unification, may be performing low-skilled jobs.

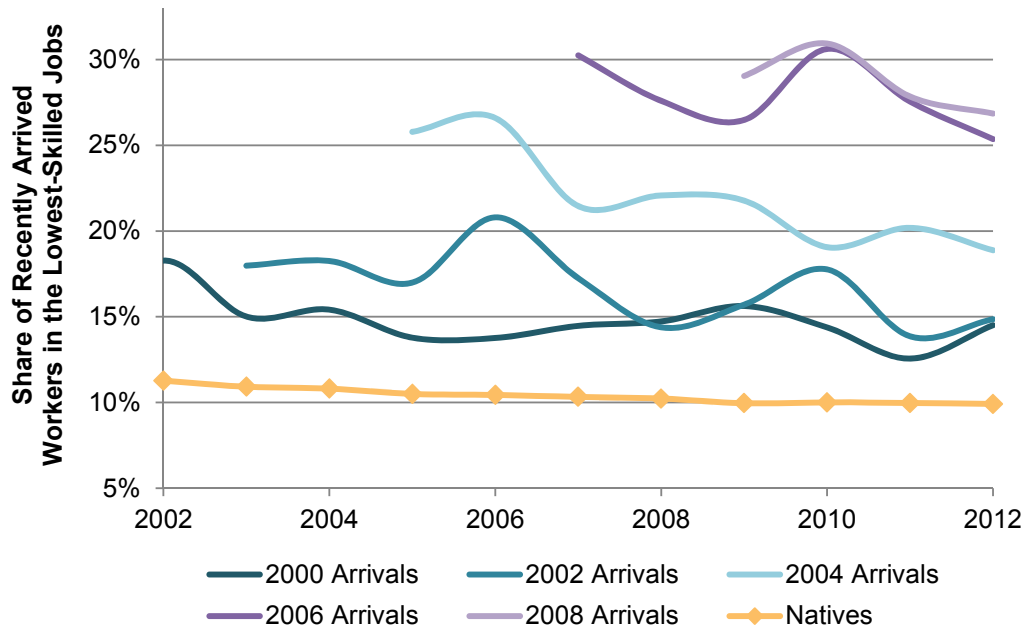
There are also important differences between origin countries within the broad non-European category: almost 50 percent of immigrants from Anglo-Saxon countries (Australia, Canada, New Zealand, and the United States) are employed in managerial or professional occupations (the two highest paid categories), with a further 24 percent working in associate professional and technical occupations. Conversely, the share of immigrants from the Indian subcontinent (Bangladesh, India, Pakistan, and Sri Lanka) in the three highest-skilled occupations is only 32 percent. Likewise, only 13 percent of North American and Australasian immigrants work in the four lowest-skilled occupations, against more than 40 percent of those from the Indian subcontinent.

The occupational distribution of recent immigrants (those who arrived since 2000) reflects the overall



immigrant population. However, recent immigrants are more concentrated in low-skilled occupations and slightly less concentrated in more skilled occupational categories. This could either result from new arrivals' limited host-country human capital or from the particular characteristics of different arrival cohorts. Therefore, Figure 5 examines the evolution of the share of foreign workers in unskilled occupations for each of the recent cohorts over time, and it also reports the corresponding share of natives in unskilled occupations for comparison.

**Figure 5. Share of Employed Immigrants (by Arrival) and Natives in the Lowest-Skilled Jobs, 2002-12**



Source: Author's analysis based on UK LFS microdata.

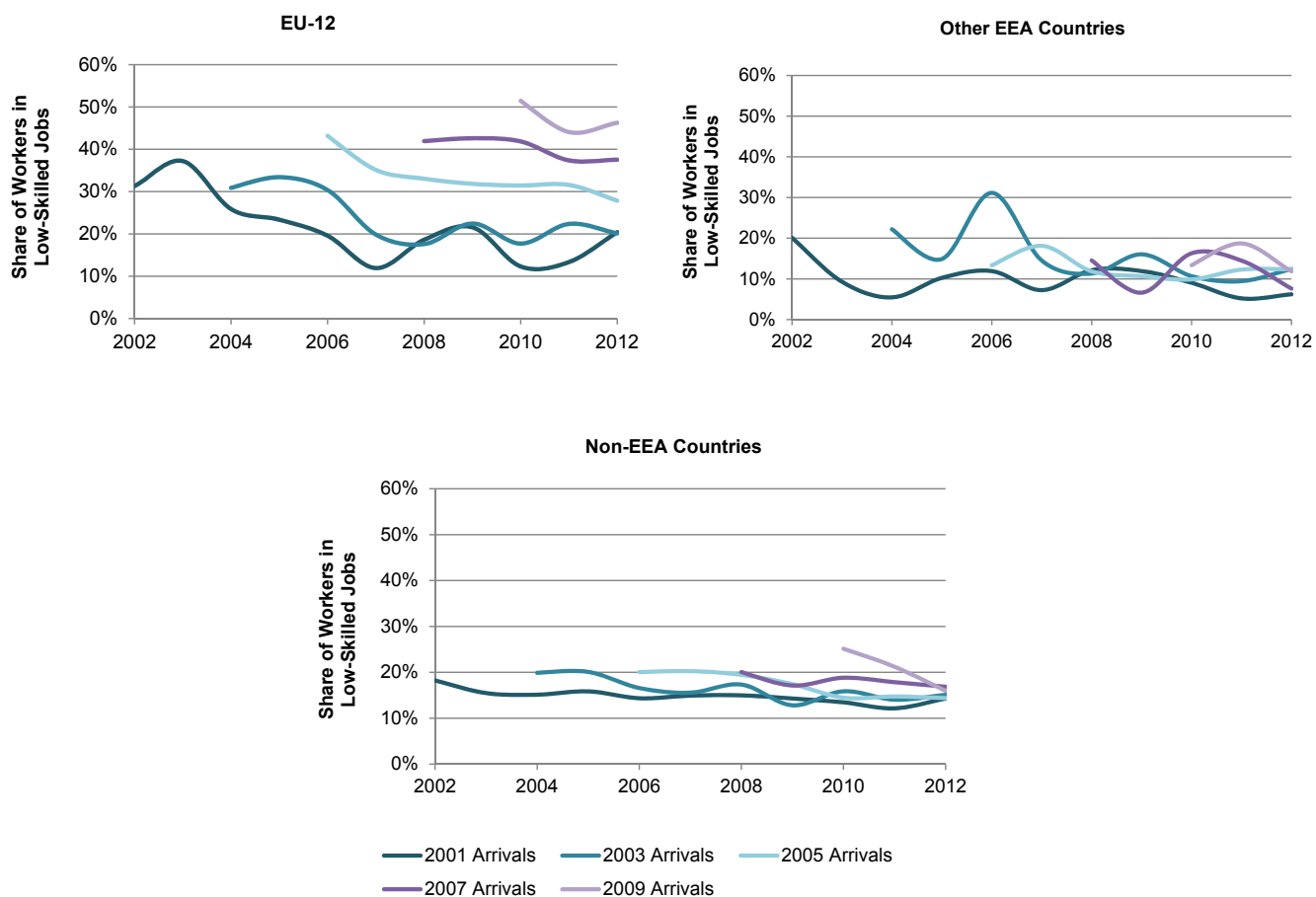
The proportion of individuals in the lowest-skilled jobs at arrival (meaning those in elementary occupations) increased for successive cohorts. For the 2008-09 cohort, the proportion who entered unskilled work was as high as 33 percent. Nonetheless, the share of individuals in the lowest-skilled jobs decreased over time, suggesting that some workers were able to move out of these jobs into better-skilled work. It is worth noting that Figure 5 looks very similar to the mirror image of Figure 2 (showing the employment rates of recent arrivals), which suggests that the occupational distribution may have to do with selective labor market participation: earlier cohorts have lower employment rates, but better occupational outcomes than more recent cohorts.

Mobile EU-12 citizens were far more likely to perform unskilled work: a full half of the 2009 cohort who were employed a year after arrival were in the lowest-skilled jobs (see Figure 6). Moreover, EU-12-origin workers who entered after EU enlargement were more likely to be employed in elementary occupations than their compatriots who emigrated earlier, because these later cohorts were not subject to selection criteria. But over time, immigrants did appear able to move out of the lowest-skilled work. Those who arrived in 2001 saw their employment in the lowest-skilled jobs fall by almost 10 percent after a decade, although the share remained around 5 percent higher than natives. Post-enlargement cohorts also saw improvement over time, although from a much higher base.

As Figure 6 shows, the other two groups were less likely than EU-12 workers to be employed in the lowest-skilled occupations. Other EU citizens in particular showed marked improvement over time (from 20 percent in 2001 to 6 percent in 2012 for the oldest cohort).



**Figure 6. Share of Recent Immigrants in Low-Skilled Work, by Region of Origin and Arrival Cohort, 2002-12**



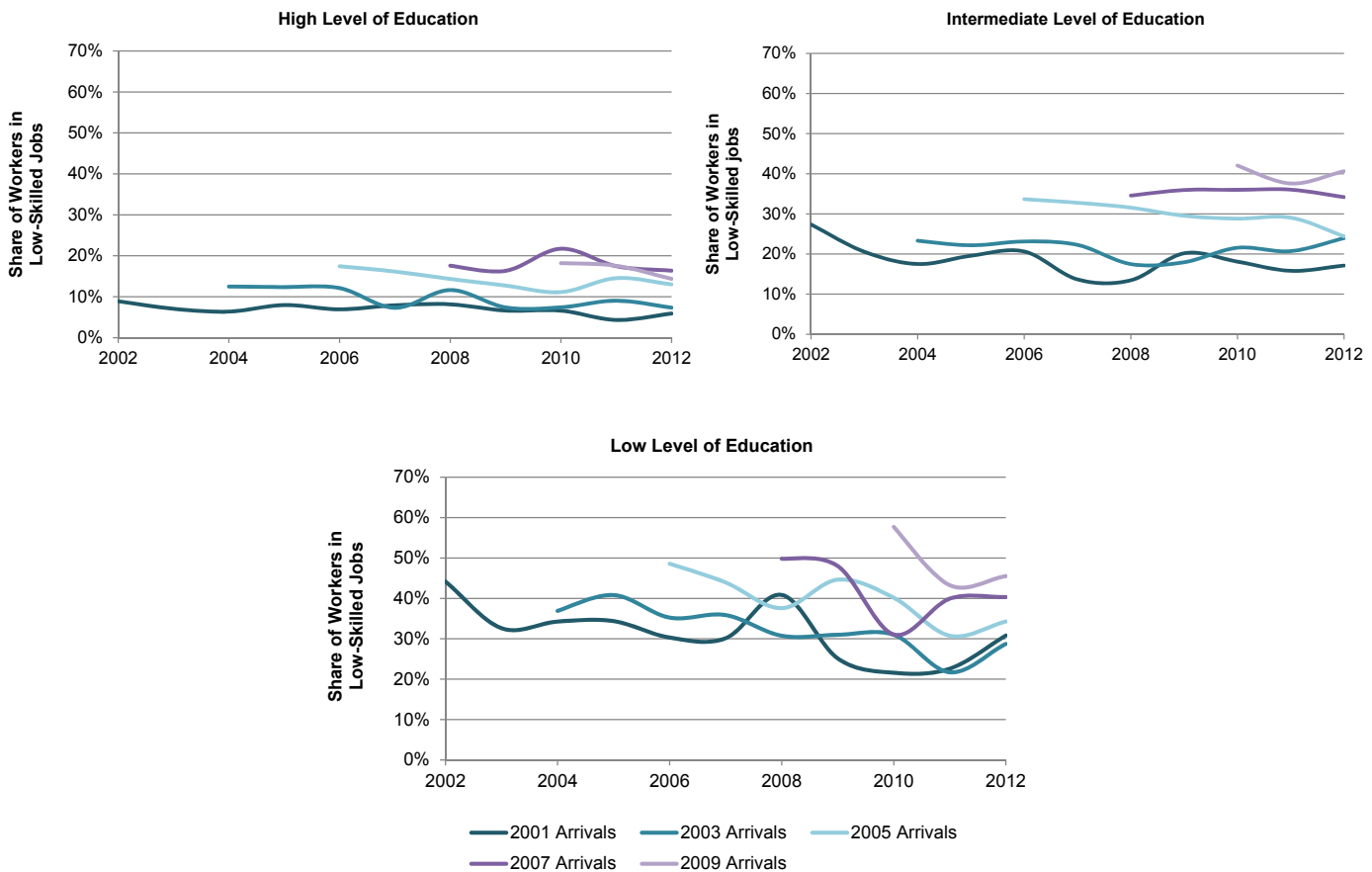
Source: Author's analysis based on UK LFS microdata.

Unsurprisingly, having a higher level of education decreased a person's likelihood of working in the lowest-skilled jobs (see Figure 7).

The benefits of education were lower for more recent cohorts, indicating an increase in "brain waste"—meaning the number of highly educated jobseekers who are either unemployed or have jobs that are significantly below their education and skill levels. Additionally, more recently arrived Europeans are more likely than non-European immigrants to be overqualified for the work they are doing. Controlling for observation year, gender, age, and education reveals that a recent EEA immigrant or mobile EU citizen is 23 percentage points more likely than a native with the same profile to be employed in unskilled work. For non-EEA immigrants, the gap is only 11 percent (see Appendix 2, Table A-2).



Figure 7. Share of Recent Immigrants in Low-Skilled Work, by Education Level and Arrival Cohort, 2002-12



Source: Author's analysis based on UK LFS microdata.

While the greatest proportions of workers in low-skilled jobs are low educated, they also saw the largest declines over time, for example from 44 percent to 30 percent for the 2001 cohort. Even the most recent cohort of low-educated workers enjoyed a fall in low-skilled work from 58 percent to 46 percent, although this is based on only three years of observation.

## A. Sectoral Distribution

While immigrants worked in all sectors of the economy, they were more likely than natives to be employed in two sectors: distribution, hotels, and restaurants; and transport and communications. They also numbered highly among the banking, finance, and insurance sector, presumably because of the strong international base of London's financial district.

**Table 3. Sectoral Distribution: Share of Natives and Immigrants Employed in Each Sector, 2012 (%)**

	Natives	All Immigrants		Recent Arrivals (2000-12)		Distribution of Jobs, by Skill Level	
		European Economic Area (EEA)	Non-EEA	EEA	Non-EEA	High-Skilled	Low-Skilled
Agriculture and Fishing	1.6	1.7	0.2	2.1	0.2	12.6	19.1
Energy and Water	1.4	0.7	0.7	0.6	0.8	43.2	3.1
Manufacturing	11.0	14.8	7.2	17.9	7.3	33.4	7.6
Construction	7.5	8.3	3.6	9.3	3.8	21.3	7.3
Distribution, Hotels, and Restaurants	18.1	21.5	22.4	24.5	22.9	25.6	17.3
Transport and Communication	5.8	7.0	8.2	8.0	6.5	23.5	15.6
Banking, Finance, and Insurance	17.4	20.5	21.8	19.2	24.2	55.3	8.3
Public Administration, Education, and Health	30.8	19.7	31.0	13.5	29.4	49.4	6.0
Other Services	6.4	5.7	5.0	4.9	4.9	39.0	12.3

*Note:* This table uses the Standard Industrial Classification (SIC). Additionally, “high-skill” occupations refer to those delineated in the SOC major groups 1, 2, and 3 (Managers and Senior Officials; Professional occupations; Associate Professional and Technical), and “low-skill” occupations is SOC major group 9 (Elementary Occupations).

*Source:* Author’s calculation based on UK LFS microdata; See also Office for National Statistics, “Standard Occupational Classification 2010 (SOC2010),” accessed February 19, 2014, [www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/index.html](http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/index.html); and Office for National Statistics, “UK Standard Industrial Classification 2007 (UK SIC 2007),” accessed February 19, 2014, [www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html](http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html).

Mobile EU citizens were twice as likely as third-country nationals to be employed in manufacturing (15 percent versus 7 percent were employed in this sector, respectively) and construction (8 percent versus 4 percent) in 2012. These industries have both been volatile in recent years: manufacturing is on a general downward trend, while the construction sector was especially hard hit by the economic downturn.

Meanwhile, non-EEA citizens displayed a substantially higher concentration than EEA peers in public administration, education, and health (31 percent versus 20 percent). Other studies have also found evidence that immigrants from outside the European Union are more likely to be employed in health and social care. This is partly the result of historical recruitment drives (e.g. nurses recruited from the Caribbean and doctors recruited from India, Pakistan, Bangladesh, and Sri Lanka in the 1950s; international recruiting of health professionals was also used to achieve rapid growth in the National Health Service workforce in the first half of the 2000s). A number of health and social care jobs continue to be on the Migration Advisory Committee’s shortage occupation list for foreign workers, and over one-quarter of UK doctors are now from outside the European Union.<sup>9</sup>

<sup>9</sup> Penny Tamkin, Felix Behling, Rebecca Jones, and Richard Garrett, *Sector Skills Insights: Health and Social Care* (London: UK Commission for Employment and Skills, 2012), [www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-52-sector-skills-insights-health-and-social-care.pdf](http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-52-sector-skills-insights-health-and-social-care.pdf); James Buchan, Susanna Baldwin, and Miranda Munro, “Migration of Health Workers: The UK Perspective to 2006” (Working Paper no. 38, Employment, Labour, and Social Affairs Committee, Organization for Economic Cooperation and Development, 2008), [www.oecd.org/dataoecd/48/2/41500789.pdf](http://www.oecd.org/dataoecd/48/2/41500789.pdf).

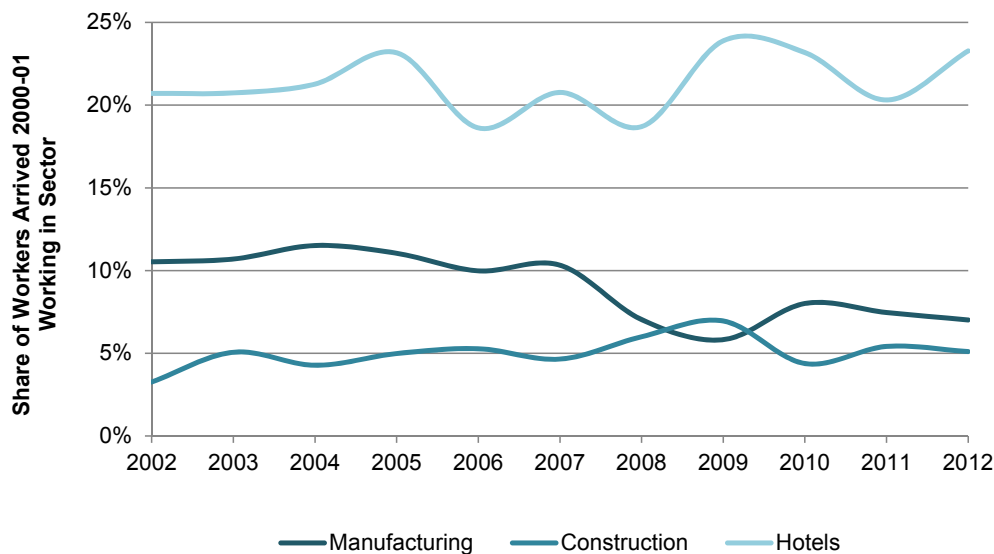


Recently arrived immigrants (those who have arrived since 2000) display starker differences with natives. Recent EEA arrivals were ten times more likely than non-EEA citizens to work in agriculture (2 percent versus 0.2 percent), and were more concentrated in manufacturing (18 percent) and in hotels and restaurants (24.5 percent) than earlier immigrants.<sup>10</sup>

Although immigrants have historically had low employment in the construction sector, recent arrivals have become more likely than natives to work in this sector—especially those from within the European Union. Construction is typically one of the sectors most affected by economic shocks (and there have been three recessions in the last five years); immigrant workers employed in this sector are therefore more likely to have faced precarious and unstable employment prospects.<sup>11</sup>

Recent arrivals from all origins were less likely to work in banking and finance; and in public administration, education, and health—the sectors with the highest concentration of high-skilled jobs, as shown in the last two columns of Table 3—than earlier immigrants.

**Figure 8. Changes in Sectorial Concentration Among the 2000-01 Entry Cohort, 2002-12**



Source: Author's calculation based on UK LFS microdata.

By contrast, the proportion of the 2000-01 entry cohort employed in distribution, hotels, and restaurants fluctuated around 20 percent over a ten-year period (see Figure 8). And over time, the manufacturing sector employed fewer of these immigrants; while more workers moved into the construction sector.

## B. Sector Pathways Out of the Lowest-Skilled Jobs

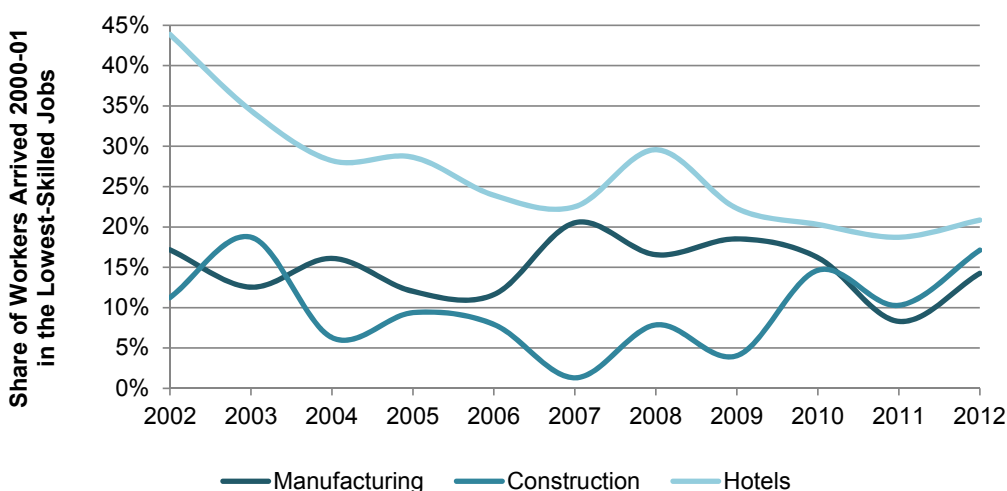
In theory, certain sectors may prove more receptive to immigrants moving out of low-skilled work—depending on the opportunities for career progression, training on offer, and number of middle-skilled positions. Workers may be able to move up the occupational ladder as they acquire UK-specific work experience or adjust their skills to meet local requirements.

10 This is in line with other studies that suggest EU-12 mobile citizens are overrepresented in distribution, hotels and restaurants; business, management, and administration; and agriculture. See Drinkwater, Eade, and Garapich, "Poles Apart?"

11 UK Department for Business, Innovation, and Skills (BIS), *UK Construction: An Economic Analysis of the Sector* (London: BIS, 2013), [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/210060/bis-13-958-uk-construction-an-economic-analysis-of-sector.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210060/bis-13-958-uk-construction-an-economic-analysis-of-sector.pdf).

Of the three main immigrant-dominated sectors, distribution, hotels and restaurants appears to have provided the best opportunity to move out of low-skilled work. This sector is diverse, comprising wholesale, retail, the motor trade, and hotels and restaurants. As a whole the sector is highly labor intensive, while not being knowledge intensive, indicating a predominance of low-skilled work.<sup>12</sup> Since it provides opportunities for nonstandard hours or part-time employment for young people, students, and people with home- and family-based responsibilities, it is not generally considered a stable pathway to middle-skilled work.<sup>13</sup> Nonetheless, 44 percent of the 2000-01 cohort working in hotels and restaurants were in low-skilled jobs in 2002, immediately after arriving in the United Kingdom. By 2010, this cohort's proportion of workers in low-skilled employment had shrunk to 20 percent, a value that is very close to the proportion of native workers in low-skilled jobs in the hotel and restaurant sectors, which remained relatively stable at around 19 percent during the whole period.

**Figure 9. Elementary Occupations of the 2000-01 Entry Cohort, by Sector, 2002-12**



Source: Author's calculation based on UK LFS microdata.

Trends within the manufacturing sector were less clear. The lowest-skilled jobs in this sector include assembly-line laborers, handpackers, and loaders. The proportion of immigrants in unskilled occupations decreased slightly from 17 percent to 12 percent from 2002 to 2006, and it then increased sharply to 21 percent in 2007, before starting to slightly fall again in the following years (see Figure 9). Over the same period, the proportion of natives in low-skilled jobs in manufacturing declined only slightly from 8.5 percent to 7 percent.

In construction, the lowest-skilled workers include mining and construction laborers, road maintenance laborers, and building construction laborers.<sup>14</sup> The share of newcomers employed in these jobs fell from 19 percent in 2003 to just over 1 percent in 2007, on the eve of the economic crisis, after which the proportion rose again (to 17 percent in 2012). This pattern is decidedly different from that of natives: the share of native workers in low-skilled jobs in construction declined slightly but steadily between 2001 and 2012, from 9 percent to 6.5 percent. It therefore looks as though some of these immigrant workers were able to transition

12 European Commission Directorate-General for Employment, Social Affairs, and Equal Opportunities, *Hotels and restaurants sectors: Comprehensive sectoral analysis of emerging competences and economic activities in the European Union* (Brussels: European Commission, 2009), <http://ec.europa.eu/social/BlobServlet?docId=4145&langId=en>.

13 Research from the United States suggests that hospitality has shorter job ladders with few supervisory roles, but that once immigrants acquire language skills and host-country human capital, they may be able to move into these roles. Randy Capps and Michael Fix, *Still an Hourglass? Immigrant Workers in Middle-Skilled Jobs* (Washington, DC: Migration Policy Institute, 2010), [www.migrationpolicy.org/research/immigrant-workers-middle-skilled-jobs-0](http://www.migrationpolicy.org/research/immigrant-workers-middle-skilled-jobs-0).

14 International Standard Classification of Occupations (ISCO) codes used for this analysis are available from International Labour Organization, "ISCO: Major, Sub-Major, Minor and Unit Group Titles," updated September 18, 2004, [www.ilo.org/public/english/bureau/stat/isco/isco88/major.htm](http://www.ilo.org/public/english/bureau/stat/isco/isco88/major.htm).



to better-paid jobs, but the economic crisis and the shocks it triggered in the construction industry meant many of these jobs were lost. This is broadly in line with evidence from the United States that suggests that while construction is one of the sectors that provide the most opportunities for less-skilled workers, the recession disrupted some of the traditional employment pathways.<sup>15</sup>

Finally, for each of these sectors, it is difficult to disaggregate the impact of changes in the sector, job losses, or return migration in the absence of longitudinal data.

## V. Conclusion

The United Kingdom has experienced a sizeable growth in its foreign-born population since 2000. Newcomers are younger and better educated than UK natives, but they are characterized by a lower probability of employment and a higher concentration in unskilled occupations, especially in the first years after moving, though there is a strong variation across subgroups. This indicates that the labor market integration of recent arrivals tends to improve with time spent in the United Kingdom, a pattern that is common to all recent entry cohorts in terms of both employment probability and occupational upgrading.<sup>16</sup> EEA workers have better labor market outcomes than those from non-EEA countries, and they also have a higher employment probability than natives, after some time spent in the United Kingdom.

The 2000s were an exciting, but controversial decade in UK immigration—and European free movement—history. Some commentators have voiced criticism about the British decision to refrain from imposing restrictions on workers from Eastern Europe, resulting in a significant influx of new workers. Some communities who received large numbers of EU-12 workers were unaccustomed to immigration and unprepared for it, resulting in some pressure on public services—and in some cases, negative public attitudes, especially when change was rapid. The sources of public anxiety are many, ranging from fear about competition for jobs, to a sense of unfairness about these workers' eligibility for social benefits, to concern on their behalf about working conditions and exploitation. Public concerns about the scale of immigration from the countries which joined the European Union in 2004 led the UK government to impose restrictions on immigration of citizens of Bulgaria and Romania. These restrictions were eventually lifted only in January 2014, amidst fears of a rapid rise in immigration from these countries.

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*As new immigrants spend time in the country, many are able to move up the occupational ladder.*

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Despite these worries, the employment rates of EU-12 workers are the highest of newcomers of all backgrounds. Yet the findings of this report—that these outcomes are largely the result of this population's favorable age and education profile—dispel the myth that the labor-market outcomes of EU-12 workers are the result of a special attitude, or a propensity to enjoy hard work.

EU-12 workers are also overrepresented in unskilled jobs. While this may be an acceptable temporary situation, especially for workers who intend to return home, these jobs do not pay a family-sustaining wage hence may cause problems over time. However, as new immigrants spend time in the country, and learn relevant country-specific skills, most notably the language, many are able to move up the occupational ladder. Thus it is likely that these new arrivals will be employed in more productive occupations within a relatively short period of time. The policy challenge in this case is to avoid the outcome of long tenures in unskilled occupations, leading to a depreciation of immigrants' human capital, thus wasting a precious and freely available resource.

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<sup>15</sup> Capps and Fix, *Still an Hourglass?*

<sup>16</sup> We should, however, interpret these findings with some caution because, in the absence of longitudinal data, we cannot disentangle the effect of labor market assimilation from selective return migration.

## Appendices

### *Appendix 1. Standard Occupational Classification and Standard Industrial Classification*

The Standard Occupational Classification (SOC) is a classification of occupational information in the United Kingdom, categorizing jobs according to their skill level. And the Standard Industrial Classification (SIC) provides a framework for defining sectors of employment, by identifying business activities according to the type of economic activity in which they are engaged.<sup>17</sup>

The classifications of both occupations and sectors adopted in the UK Labour Force Survey (LFS) have changed over time. Occupations were coded according to the SOC 90 until the year 2000, according to SOC 2000 from 2001-10, and according to SOC 2010 since 2011. This study maps all 4-digits SOC 2010 categories in years 2011 and 2012 into SOC 2000. Instead, the study excludes the year 2000 from the occupational analysis.

Finally, industrial sectors were coded according to SIC 92 until 2006. Since 2007, industrial sectors are coded according to SIC 2007. However, the LFS also reports a conversion variable that allows mapping SIC 2007 into SIC 92 for all quarters.

### *Appendix 2. Regression Analyses: Employment Probabilities by Individual Characteristics*

Table A-1 reports differences in the probability of being in work for recent immigrants and natives. Immigrants and natives are made to have increasingly similar profiles by controlling for different characteristics as we move from columns A to D (see Panel I). Controlling for gender, age, and education generates an outcome strikingly different from the unconditional comparison. A recent European Economic Area (EEA) immigrant is almost 2 percentage points less likely to have a job than a comparable native, while the gap in employment probability for non-EEA recent immigrants increases to 18 percentage points. Overall, this indicates that the employment probability advantage of EEA immigrants relative to natives is entirely due to their younger age and higher education, while the employment gap of non-EEA immigrants would be even larger were it not for their favorable education and age profiles.

Panel II shows that the differences between arrival cohorts shrink when we control for gender, age, and education.

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<sup>17</sup> See Office for National Statistics, “Standard Occupational Classification 2010 (SOC2010),” accessed February 19, 2014, [www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/index.html](http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/index.html); and Office for National Statistics, “UK Standard Industrial Classification 2007 (UK SIC 2007),” accessed February 19, 2014, [www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html](http://www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/standard-industrial-classification/index.html).





**Table A-1. Differences in Employment Probability between Recent Immigrants and Natives, Controlling for Characteristics, 2000-12**

	A	B	C	D
	Observation Year	A + Gender	B + Age	C + Education
<b>Panel I: Outcomes by Origin</b>				
European Economic Area (EEA)	0.047	0.048	0.009	-0.017
Non-EEA	-0.13	-0.129	-0.176	-0.184
<b>Panel II: Outcomes by Arrival Cohort</b>				
2000-01	-0.097	-0.095	-0.145	-0.163
2002-03	-0.068	-0.067	-0.115	-0.128
2004-05	-0.023	-0.023	-0.068	-0.084
2006-07	-0.039	-0.038	-0.077	-0.093
2008-09	-0.147	-0.146	-0.178	-0.166

Source: Author's calculation based on UK Labour Force Survey microdata.

Table A-2 repeats the exercise for the probability of being employed in elementary occupations. In every year recent EEA immigrants are 19 percentage points more likely than natives of being employed in elementary occupations, while the probability gap is 7 percentage points for recent non-EEA immigrants. If we control for gender, age, and education, the gap increases for all immigrant groups: a recent EEA immigrant is 23 percentage points more likely to be employed in an elementary occupation than a native with the same gender, age, and education profile. And a non-EEA immigrant is 11 percentage points more likely to be employed in an elementary occupation, controlling for the same conditions. The table confirms therefore the existence of a substantial occupational downgrading of recent immigrants in the UK labor market.

**Table A-2. Differences in Probability of Being Employed in Elementary Occupations, Controlling for Characteristics, 2000-12**

	A	B	C	D
	Observation Year	A + Gender	B + Age	C + Education
<b>Panel I: Outcomes by Origin</b>				
European Economic Area (EEA)	0.193	0.192	0.185	0.228
Non-EEA	0.067	0.067	0.068	0.107
<b>Panel II: Outcomes By Arrival Cohorts</b>				
2000-01	0.043	0.043	0.046	0.089
2002-03	0.073	0.073	0.073	0.113
2004-05	0.137	0.137	0.134	0.177
2006-07	0.180	0.180	0.173	0.216
2008-09	0.194	0.194	0.184	0.220

Source: Author's calculation based on UK Labour Force Survey microdata.



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