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The Economic, Labour Market and Skills Impacts of Migrant Workers in Northern Ireland

Oxford Economics

with FGS McClure Watters and Perceptive Insight Market Research

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Migrant worker definition

The Northern Ireland Government Migrant Workers Thematic Sub-Group of the Racial Equality Forum definition of a migrant worker differs slightly from the standard international definition. It includes only those persons migrating for the primary purpose of seeking or taking up work, rather than persons finding themselves abroad for other reasons and subsequently deciding to search for a job. In addition in terms of country of birth origin, the sub-group defines migrant workers as persons born outside the UK and ROI.

Unless otherwise stated, the migrant worker definition used in this report is consistent with the NI Migrant Worker Thematic Sub-Group definition.

In this study we also have a general interest in the total migrant population stock and non-employed working age migrants so at times we look beyond those migrants merely in employment. Where this is done, it is clearly stated.

Caveat (LFS analysis)

In various parts of this report analysis of the Labour Force Survey (LFS) is presented. While the LFS provides a valuable source of information on the labour force outcomes and impacts of migrant workers, there are some important caveats to note:

1. Given the small sample size generally for NI, but even more so for the migrant sub-group, figures quoted are subject to large standard errors and should be treated as indicative only.
2. Specifically for this research, there is also the potential for the LFS to undercount migrant workers. The concern is that the LFS requires people with 'stable living arrangements' so that they can be tracked through their participation on the LFS - many migrants have a greater tendency to be geographically mobile or live in communal, less permanent accommodation. It is possible therefore that migrants in the LFS sample will be skewed more towards more established migrants and in better paid, more permanent jobs than more recent A8 migrants typical have. Seasonal workers in agriculture are a good example of a sector that might not be captured well in the LFS.

Recognising the caveats outlined above, our view would however be that the LFS still offers the potential for a detailed and robust assessment of the impact of migrants on the NI economy and in any case, is the only official source to undertake much of the analysis required.

Data

The calculations for this report were undertaken in early autumn 2009, and therefore the data used is the most recent available up to and including Q2 2009.

Glossary of terms

A8	The 'Accession Eight' eastern European countries joining the European Union on 1st May 2004 – Czech Republic, Poland, Latvia, Lithuania, Slovakia, Slovenia, Hungary and Estonia
A8+2	The A8 plus Bulgaria and Romania - the two countries joining the European Union on 1st January 2007
ABI	Annual Business Inquiry
Accession	Formal entry to the EU by new member countries
Additionality	The 'net' economic contribution after adjusting for deadweight, displacement and leakage effects – in the case of migrant workers, the economic contribution that UK and ROI-born workers would not otherwise have been able to make to the NI economy
APS	Annual Population Survey
EU	European Union
Deadweight	The economic outcome that would have occurred in the absence of migrant workers. Sometimes referred to as the 'reference case' when assessing the genuine additional impact of migrant workers
DEL	Department for Employment and Learning, Northern Ireland
Displacement	The 'crowding out' economic impact of one factor upon another – in the case of migrant workers, where UK and ROI-born workers are displaced from employment directly by migrant workers or where migrants take up employment which new UK and ROI-born entrants to the labour market would typically enter
First generation migrant	A migrant who was born outside the UK and ROI
GVA	Gross value added, a common measure of the value of economic output, which is primarily made up of wages and profits
Indigenous worker (same as 'native' worker)	For the purposes of this study, a person born and resident in the UK (or born in ROI and resident in the UK) and either in or seeking employment in Northern Ireland (same as 'native' worker)
IPS	International Passenger Survey
Leakage	Positive economic impacts generated outside the area in which corresponding costs are incurred – in the case of migrant workers resident in NI, this may occur if migrants take jobs over the border in ROI or more likely repatriate some of their earnings overseas (for example to families in origin countries)
LFS	The UK Labour Force Survey, a sample survey measuring detailed trends over time in a full set of labour market accounts and skills indicators

MAC	The UK Migration Advisory Committee, a group which provides independent, evidence-based advice to government on specific sectors and occupations in the labour market where shortages exist which can sensibly be filled by migration
Multiplier effects	Additional positive economic impacts generated 'indirectly' through supply-chain effects and 'induced' direct and indirect employee spending across the economy
Net migration	The excess (or deficit) of in-migrants over out-migrants
New Commonwealth	Informal term for the post-1945-joining, predominantly non-white, decolonised and developing Commonwealth countries such as India, Pakistan and numerous Afro-Caribbean nations
'New' migrant worker	For the purposes of this study, a non-UK or non-ROI-born person currently living and working in the UK who arrived from another country in the EU after 2004
NI	Northern Ireland
NINo	National Insurance number
NISRA	Northern Ireland Statistics and Research Agency
OECD	Organisation for Economic Co-operation and Development
Old Commonwealth	Informal term for the pre-1945-joining, predominantly white Commonwealth countries such as Australia and Canada
'Old' migrant worker	For the purposes of this study, a non-UK or non-ROI-born person currently resident and working in the UK who arrived in the country before 2004
Points-Based System	A new immigration system introduced in 2008 to ensure that only those with the right skills or the right contribution can come to the UK to work or study, where points are awarded according to workers' skills, age, experience etc
ROI	Republic of Ireland
SIC	Standard Industrial Classification
Working-age population	Permanent resident population aged 16-64 (male) and female (16-59) – UK definition
WRS	Worker Registration Scheme, the compulsory registration mechanism through which the UK Border Agency records the arrival of migrants seeking employment from the A8 countries. The self-employed from A8 countries are not required to register on the scheme

Executive Summary

This report summarises the findings of a research study commissioned by the Department for Employment and Learning (DEL) on the economic, labour market and skills impacts of migrant workers in Northern Ireland. The study was undertaken during 2009 by Oxford Economics with support from FGS McClure Watters, Perceptive Insight Market Research and Professor Bob Rowthorn (University of Cambridge).

Assessing the impacts of migrant workers on regional economies is **challenging**. However given the high profile nature of the topic, particularly now as the national and local NI economy is in recession, it is important that policy attempts to study the recent impact and considers the likely future impact of migrant workers.

Method

To assess the *net* impact, that is the **genuine ‘additional’ impact of migrant workers** over and above the economic growth that might have occurred anyway in NI in the absence of immigration, it is necessary to consider complex and controversial issues such as the so-called ‘displacement’ of native workers (i.e. migrants taking jobs that could potentially have been filled by local people). Analysis is made further difficult by a lack of authoritative data sources on recent UK international migration flows, notably those driven by the accession of eastern European countries (the ‘A8’) to the European Union in 2004, and on the precise ‘stock’ (the total number at any one point in time) of migrant workers. In addition, one of the key data sources for analysis, the Labour Force Survey, is hampered by sample size constraints for NI. Providing a definitive view of migrant impacts on native employment and regional economic performance in NI is therefore challenging, and impacts are necessarily quantified using a **range of upper and lower bound estimates** as we have done in this study.

This study complements existing research on the social impacts of migrants in NI, and other research commissioned by DEL on migrant experiences undertaken by the Institute for Conflict Research, by developing a **comprehensive evidence base** on migrant workers’ economic, labour market and skills impacts. Addressing some of the information gaps on migrant worker impacts referred to above, it draws on:

- A **survey of 600 NI employers** specifically undertaken for this research by Perceptive Insight Market Research (businesses were surveyed in May 2009);
- Numerous **consultations** with private and public stakeholders;
- A detailed **review of academic literature** (led by one of the UK’s leading academics on the economics of migration);
- A thorough **labour market analysis** of migrant impact using the NI Labour Force Survey; and
- A quantitative **economic impact analysis**, following HM Treasury’s Green Book guidance, to distinguish between the *gross* and *net* contribution of migrant workers to the NI economy (i.e. to filter out economic outcomes that would probably have occurred even without the arrival of migrant workers).

Findings

Overall, we find that in recent years, migrant workers in Northern Ireland have made a **significant positive contribution to the NI economy**, filling labour shortages during a 'golden era' period for the economy (when unemployment was at a historic low and the majority of non-employed natives were not applying to work in the jobs migrants were taking) and bringing a strong work ethic welcomed by their employers.

Though the highest absolute numbers of migrant workers were found in Belfast, migrant workers have found employment right across NI. In fact as a proportion of the local workforce, the highest concentrations of migrant workers have been in Dungannon, Craigavon and Newry & Mourne. As reported widely in the media, the arrival of many eastern European migrants seeking employment since 2004 – including some 20,000 Poles – has produced rapid and recent change in many parts of the NI labour market, and indeed we find that the region now has **one of the UK's highest concentrations of 'new' migrant workers** from EU countries. Looked at holistically, the NI economy has changed beyond recognition in the last decade and migration is just one of the ways in which this can be observed. In addition, the arrival of migrants highlights both the increasing attractiveness of NI and a further normalisation of economic activity since political stability was restored.

Calculating exactly how many migrant workers are currently in Northern Ireland (and indeed the UK as a whole) is extremely challenging, since there is no official mechanism for recording their departure from the UK. Based on a synthesis of all available evidence, **we estimate that between 33,000 and 41,000 people born outside the UK and Republic of Ireland were in employment in NI in 2008 (representing between 4 and 5 percent of the regional workforce)**. Of these, an estimated 21,000-25,000 arrived after 2004. While this concentration may appear high and has risen from less than 2 percent in 2001, it is worth noting that the share of foreign-born workers in other economies is much higher – in Australia (26%), the United States (17%), the Republic of Ireland (15%), Germany (13%) and the UK (11%) for instance. This also highlights the problem of focusing on country of birth and raises the question of when a foreign-born worker ceases being thought of as a migrant, especially where they have lived in their new country for a number of years.

The recession is likely to have reduced the total number of migrant workers in both NI and other parts of the UK, and this trend is likely to continue while the UK falls further behind other countries in embarking on its economic recovery – particularly those developed, high-wage nations who are similarly attractive to migrants. The observable increase in late 2009 of 'job vacancy' signs outside bars, cafes, restaurants and hotels is one manifestation of the recent decline in attractiveness of the UK as a working location for many eastern European migrants. However, despite some challenges along these lines, **we do not believe the 2008-2009 recession will lead to the sometimes predicted 'mass exodus' of migrant workers** from either NI or the UK, partly as economic conditions remain weak in many other countries and partly as a number of important 'non-economic' drivers of migration (such as the desire to learn English, for example) remain in force. Indeed, we suggest that NI is likely to remain an attractive destination for migrant workers once both the global and local economies begin to expand again.

Evidence from our research suggests that migrant workers in Northern Ireland often fit the popular stereotype of being **young, hard-working and over-skilled** for their positions, and frequently focused on maximising their hours and earnings before returning home (generally within two years). Coming to improve English skills and for a 'new experience' are often more important than seeking a long-term career and promotion, and this helps to explain why some migrants do not appear to be unduly

concerned about being under-employed in terms of the skills demanded by their job and their ultimate earnings. However, this is not to say that NI has not seen a significant number of migrant workers putting down roots in terms of finding a partner, settling and/or having children, factors which combine to increase the likelihood of them staying in the longer term. In some cases, for example Asian workers in the health sector who generally tend to fit a slightly older age profile than their eastern European counterparts, it has not been uncommon for the families of migrant workers to have relocated to NI on a longer term or even permanent basis.

Sectorally, migrants account for the highest share of NI employment in **hospitality** (16 percent of total hotel and restaurant employment in 2008, up from 5 percent in 2001) and **manufacturing** (10 percent, up from 1.5 percent in 2001). There is much variation, however, by nationality and year of arrival: eastern European males, for example, have made a notable contribution filling labour shortages in the region's recent construction boom, while Asian females from the Philippines and India have played a more longstanding role filling positions in the health sector.

The findings of our analysis of migrant workers' *net* contribution to the economy show that **on balance the story is positive** (though the economic period ahead, even after the recovery has ensued, will be more challenging and the balance of net benefits could potentially change):

- As in the rest of UK and the Republic of Ireland, there has been strong evidence of so-called 'occupational segregation' between native and migrant workers, meaning that, at least during the recent years of economic growth, the number of native workers finding their pathway to employment blocked by migrants appears to have been fairly modest (this is broadly consistent with most of the academic literature in the UK and internationally). However it is important to note that the recession, and the slower period of growth expected thereafter, may lead to much greater 'involuntary displacement' of native workers in NI, particularly if high numbers of migrants remain in employment and more new migrants arrive;
- The firm-level impacts of migrants have been felt in terms of both performance and survival: no fewer than a third of employers we surveyed claimed that migrants have helped their organisation to survive over the past few years, and there is evidence that certain sectors, most notably elements of food processing, could have disappeared entirely from NI in the absence of available migrant workers (though some may validly argue this has potentially slowed a necessary transformation away from such lower-skilled, low-wage occupations towards a higher-value economy with more high-skilled jobs);
- Due to relatively high labour turnover in some semi-skilled, migrant-intensive manufacturing industries (caused in many cases by migrants returning home), there is some evidence of a growing problem of shortage within middle-tier supervisory occupations within the manufacturing trades, particularly where on-the-job learning and progression are important (because migrants employed in lower-tier positions may not be progressing through to these middle-tier occupations as they choose instead to return home);
- On balance, the impact of migrant workers on training in NI could probably be said to be negative: according to findings from this study's business survey, migrants themselves are rarely trained beyond statutory minimum requirements, they do not generally encourage employers to run additional training programmes for all staff, and there is some concern from the skilled trades that migrant availability – though of course welcome in the short-term to fill labour shortages in the workforce – is damaging the prospects of young NI trainees and

masking a possible need for improvement in the systems of both internal and external training and apprenticeship available to them.

Overall economic impact

In terms of our quantitative economic impact analysis, a summary of the overall *net* economic contribution of migrant workers is presented in the tables below. **The reference period is 2008.** We have split impacts into those created by pre-2004 and post-2004 migrant workers, given the importance of the 2004 accession of numerous eastern European countries to the EU as a key date in the history of migration flows to the UK. Given the uncertainties associated with so much of the data on migration, we have also presented three scenarios – central, upper ('optimistic') and lower ('pessimistic') to provide a sensible range of possibilities for what are, after all, extremely difficult impacts to quantify. The tables first present the *gross* ('positive') impacts of migrant workers, including the boost to the knock-on supply chain of jobs filled by migrants and also the jobs supported by migrants' spending in the NI economy, before taking away the 'negative' impacts (such as the crowding out of native jobs) to reach the overall *net* impacts of migrant workers on the NI economy.

In our central scenario, with the negative impact on native workers assumed to be relatively small, **the overall *net* impact of post-2004 migrant workers in NI in 2008 is estimated at 39,920 jobs and £1.2bn GVA** (at 2003 prices). Including migrant workers arriving in NI before 2004 who were still resident in 2008, the total impact rises to 58,400 jobs and £1.7bn GVA. All these figures refer to the impact of all non-UK and ROI-born workers, and – in theory at least – to impacts that would not have occurred if migrant workers had not come to NI. To put the impacts in context, the overall *net* GVA migrant contribution of £1.7bn is close to the GVA contribution of the whole NI construction sector – hence our calculations suggest migrant workers have made a sizeable economic contribution.

Migrant *net* economic impact (2008) – central scenario estimate

	Pre-2004 migrants		Post-2004 migrants		Total migrants	
	Employment (people-based)	GVA (£m 2003 prices)	Employment (people-based)	GVA (£m 2003 prices)	Employment (people-based)	GVA (£m 2003 prices)
Gross impact						
Direct	13,010	310	23,990	750	37,000	1,060
Indirect	4,720	170	9,440	300	14,160	470
Induced	1,500	30	4,880	130	6,380	160
Total	19,230	510	38,310	1,180	57,540	1,690
Displacement and negative deadweight	-750	10	-2,000	-60	-2,750	-50
Positive deadweight	0	0	3,610	80	3,610	80
Net impact	18,480	520	39,920	1,200	58,400	1,720
% NI total	2.4%	2.0%	5.2%	4.6%	7.6%	6.6%

Source: Oxford Economics

Note: Figures rounded to nearest 10

The effect of making adjustments from the central scenario to reach the upper and lower scenarios, for post 2004-migrant workers, is that the *net* impacts for employment and GVA range between 31,000-54,000 jobs (based on a central scenario of 40,000) and £0.9bn-£1.6bn (based on a central scenario of £1.2bn). It is clear therefore that **even at the lower bound estimate, the *net* contribution of migrant workers to the NI economy was still significantly positive in 2008.** However with economic conditions weakening and future job losses likely (as some sectors, particularly in services,

usually adjust employment later than production sectors such as manufacturing and construction), the potential for a much smaller *net* positive impact from migrant workers increases.

Migrant *net* economic impact (2008) – central case and upper / lower bound estimates for post-2004 migrant workers

	Employment (people-based)			GVA (£m 2003 prices)		
	Lower bound	Central case	Upper bound	Lower bound	Central case	Upper bound
Gross impact						
Direct	20,990	23,990	24,990	600	750	810
Indirect	7,570	9,440	9,820	230	300	310
Induced	4,160	4,880	8,940	100	130	230
Total	32,720	38,310	43,750	930	1,180	1,350
Displacement and negative deadweight	-3,190	-2,000	-700	-100	-60	0
Positive deadweight	1,610	3,610	11,300	30	80	270
Net impact	31,140	39,920	54,350	860	1,200	1,620
% NI total	4.0%	5.2%	7.1%	3.3%	4.6%	6.2%

Source: Oxford Economics

Note: Figures rounded to nearest 10

Towards the future: policy issues

We also identify a number of policy issues for DEL and partners to consider, given the strong likelihood that migrant workers will remain an important part of the NI economy through the economic recovery and beyond. These include managing potentially increasing levels of competition for jobs between migrant and native workers; being sensitive to the realities of a greater number of natives out of work and the sentiment this could generate towards migrants; working with employers to ensure that the availability of migrants does not hamper the ability of domestic vocational and youth training systems to provide NI's young people with the skills they need to prosper; and investigating how the full potential of well-qualified migrant workers to contribute to the regional economy can be more effectively harnessed.

Finally, on a strategic level, as per the Programme for Government, the main priority for the economy, during and post-recession, needs to be helping businesses to obtain the supply inputs they need – including, for example, infrastructure, skills and labour, financial assistance, and innovation support. In a world of much freer movement of labour, this means looking locally and internationally to plug skills and labour gaps as they arise with the best people available – therefore in some ways nationality of workers for businesses becomes as irrelevant as race or gender should be. The challenge from 'imported' labour has raised the bar locally, just as competing internationally has done with NI becoming part of the global economy; hiding from labour and skills competition, in our view, will not benefit the NI economy in the long-run. The opportunities migrants bring should be embraced and encouraged in order for NI to become the tolerant, welcoming and dynamic economy aspired to, and the challenges migrants lay down to native workers should be seen for what they are – challenges of the standards necessary in the globalised economy of which NI is now part.

1 Introduction and Background to the Study

Introduction

Oxford Economics was appointed by DEL in February 2009, alongside FGS McClure Watters, Perceptive Insight Market Research and Professor Bob Rowthorn of the University of Cambridge, to undertake research into the economic, labour market and skills impacts of migrant workers in Northern Ireland.

1.1 Aims of the research and why it matters

DEL's aim for the study, based on (1) a review of all relevant existing literature and data, (2) a phase of qualitative consultations with employers and other stakeholders and, (3) a survey of businesses specifically undertaken for this study, was to assess the positive and negative impacts of migrant workers on the Northern Ireland economy, labour market and skills base, and where possible estimate the *gross* and *net* contribution of migrant workers in terms of employment and GVA.

DEL also emphasised that a 'future-facing' angle should be adopted wherever possible, so that the study could not only serve as an assessment of impacts in the past, but also help inform policy decisions and support arrangements regarding both migrant and native workers in forthcoming years.

There is no shortage of existing evidence and research reports looking at the social impacts of migrant workers in Northern Ireland, particularly since 2004 when the EU accession of eight eastern European countries led to a dramatic increase in the number of migrants in the UK and NI. Work by the Institute for Conflict Research in Belfast is perhaps the best example of this. However, **our study is the first that specifically looks to assess the economic, labour market and skills impacts of migrant workers**, providing detail and 'hard' evidence on a topic where anecdotal evidence tends to predominate and myth generally lives shoulder to shoulder with fact.

We also believe it is vital that politicians and policymakers in NI today have firm evidence on the contribution and impact of migrant workers, not least since other UK regions and countries have already conducted similar economic investigations (the West Midlands, South East and Scotland being just three examples), and also given the economic difficulties the region is experiencing and weaknesses in the local labour market.

1.2 What we have done

We have had the benefit of a multi-pronged approach to our research, drawing on some valuable resources in consultancy, market research and academia. As part of this study we have undertaken:

- A programme of 15 consultations with leading industry, employee and public sector representatives (full details in Appendix F);
- A telephone survey of 600 employers across Northern Ireland;
- A detailed review of academic literature, led by Professor Bob Rowthorn of the University of Cambridge;

- A thorough analysis of labour market impact evidence from the Labour Force Survey (LFS) drawing on best practice for other regions; and
- A detailed economic impact analysis of the *gross* and *net* contribution of migrant workers in NI.

1.3 Report outline

The remainder of this report is structured as follows:

- Chapter 2 – Description of the **economic backdrop** to the arrival of migrant workers in Northern Ireland, both since EU accession in 2004 but also before then, and the forward-looking economic outlook;
- Chapter 3 – Description of **recent trends in migration** to and from Northern Ireland and the rest of the UK and estimates of migrant worker stocks;
- Chapter 4 – Key messages from our comprehensive review of **academic literature**, both from the UK, NI, ROI and overseas, on theory and evidence of the economic, labour market and skills impacts of migrant workers on host countries;
- Chapter 5 – Features and patterns relating to the **employment of migrant workers in Northern Ireland**, largely drawing on new evidence from our employer survey;
- Chapter 6 – Assessing the impacts of migrant workers in Northern Ireland on the **economy, businesses, labour market and skills mix** across different sectors and geographies, through evidence from our survey, consultations and LFS analysis;
- Chapter 7 – Economic impact analysis of the **overall net contribution** of migrant workers in Northern Ireland on employment and GVA;
- Chapter 8 – ‘Towards the future’, a look ahead to the migrant-related **opportunities and challenges** for Northern Ireland in the next few years; and
- Chapter 9 – A brief summary of **conclusions and policy implications** from our research.

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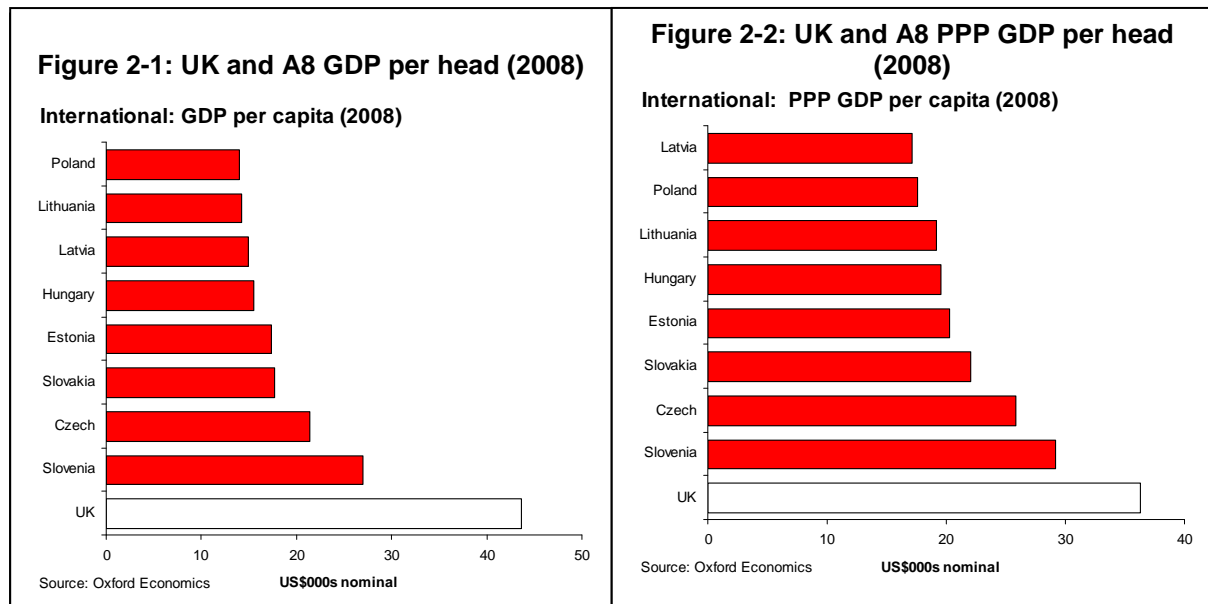
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2 Economic Backdrop

Introduction

Although social trends have created a number of important non-economic drivers of migration, such as the desire to learn or improve English, be close to families who have migrated or simply engage in new cultural experiences, both theory and evidence still indicate that migration flows are most strongly and fundamentally linked to economic disparity between the source and host countries involved. In this context, we briefly examine the recent economic backdrop to migration flows in Northern Ireland. However first Figures 2-1 and 2-2 below highlight the economic disparity between the UK and A8 countries in terms of nominal GDP per head and nominal GDP per head measured in purchasing power parity terms (which, roughly speaking, controls for differences in living costs). Even after controlling for higher living costs in the UK, it is clear that there is still a large economic disparity with A8 countries.



2.1 Recent economic performance in Northern Ireland

The Northern Ireland economy has until recently enjoyed a sustained period of economic growth, and indeed one referred to by many commentators as a 'golden era'. The reasons for this 'golden era' were numerous – in part the expansion of credit and high levels of public spending seen across the UK and much of western Europe, and in part the new found confidence in security and political stability emanating from the Good Friday Agreement. Other reasons included retail catch-up with the arrival of many large multinational firms, improved tourism performance and the twin investment appeal factors of relatively low employment costs and an available supply of skilled labour.

As Figure 2-3 shows, employment in the NI economy rose – and unemployment fell – almost unbroken from the early 1990s and indeed before. Between 1998 and 2008, the NI economy created 10,000 net new jobs per year, making it the fastest-growing region in the UK in employment terms (albeit starting from a lower employment rate base). This employment growth, combined with perceptions of increased public security in the new century and a lower relative cost of living (pre-

housing boom), helped to create a socio-economic environment of considerable appeal to migrant workers.

Figure 2-3: Trends in total employment and claimant unemployment in NI, 1990-2008

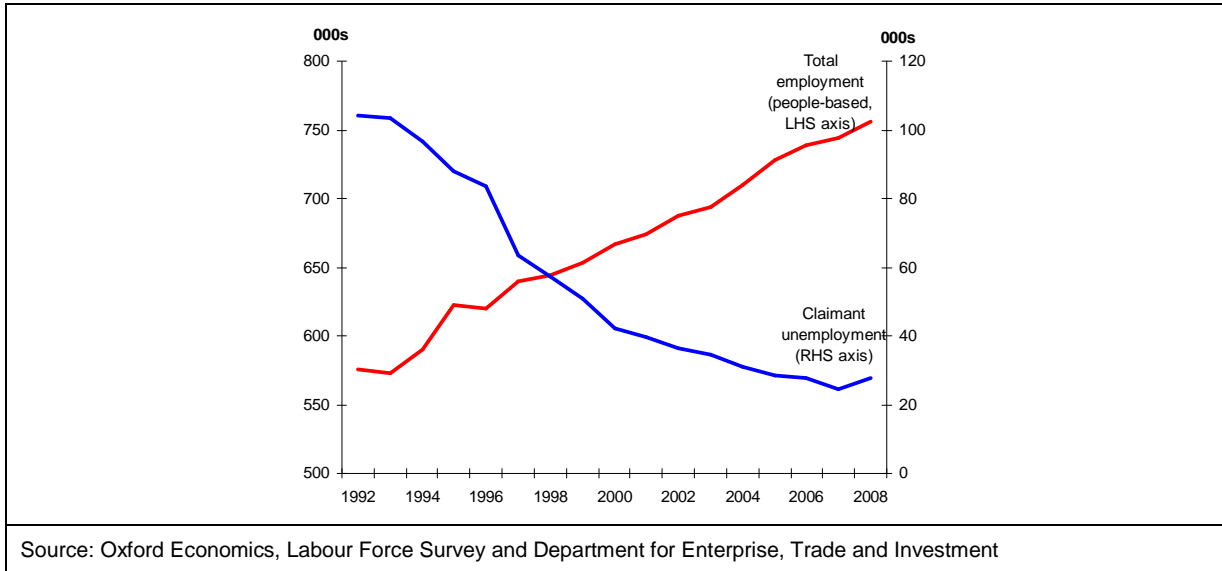
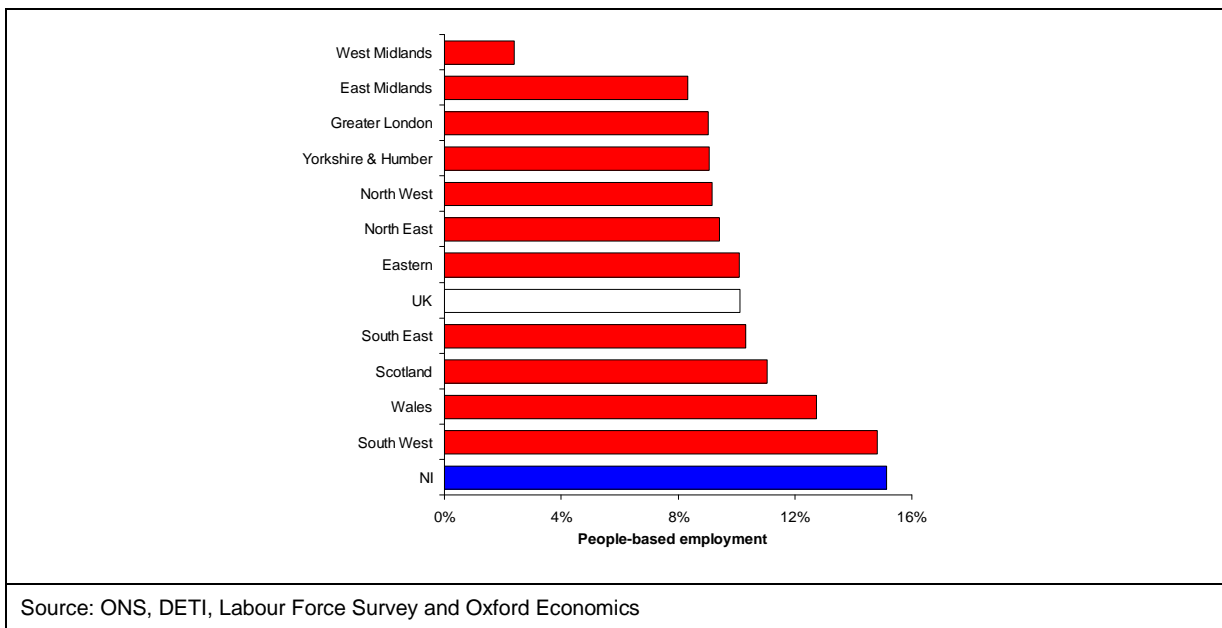


Figure 2-4: Total employment growth across UK regions, 1998-2008



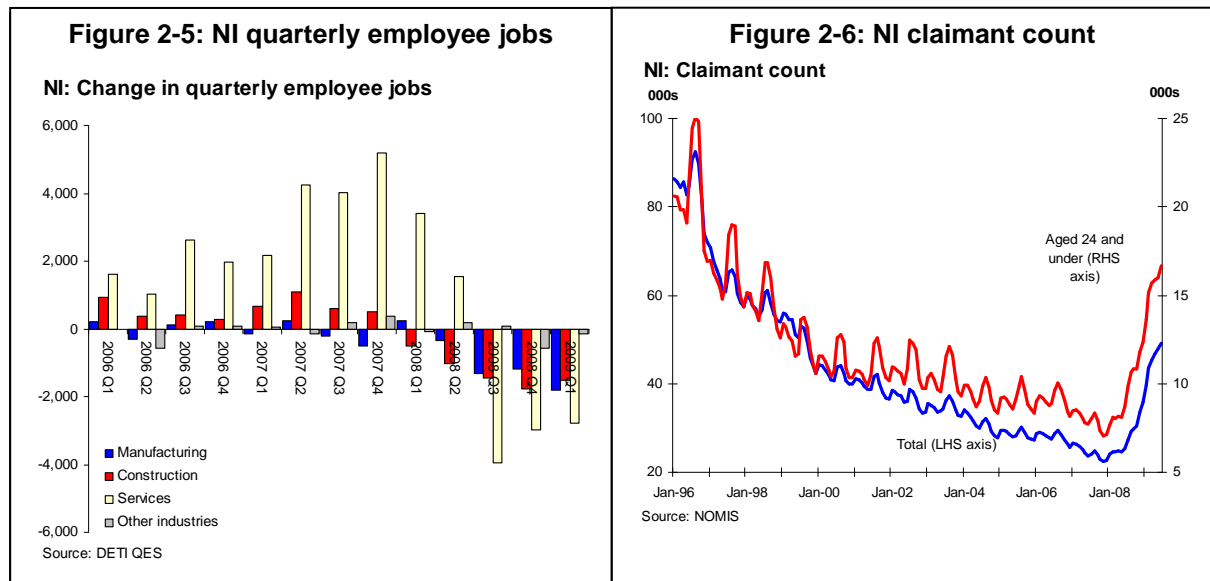
Despite recording impressive rates of growth, however, some longstanding economic concerns about Northern Ireland remain which are well documented in strategies such as the Programme for Government and Regional Economic Strategy. In particular, it is worth noting that:

- Structural economic weaknesses have persisted, such as over-dependence on the public sector / too small a private sector, and in some cases structural weaknesses have worsened (e.g. relative productivity has up until recently declined);

- There are still very few large private sector multinational firms (although this is improving);
- NI's employment rate remains a long way from converging to the UK average (the unemployment rate is similar but inactivity levels much higher and have remained relatively unchanged throughout the 'golden era');
- Relative GVA per head has barely shifted and remains 20 percent less than the UK average;
- A large stock of the working age population has no qualifications (although younger working age groups have qualification levels comparable to the UK average); and
- Innovation and entrepreneurial activity are comparatively low.

2.2 A different era

As being experienced across most of the developed world, NI's 'golden era' has come to abrupt end and is now in recession. The end of the 'golden' era is perhaps best illustrated by the two charts below, which show (1) successive quarters of net employee job loss, which started first with construction in 2008 Q1 and had spread to all broad sectors by the second half of 2008; and (2) rising claimant unemployment from the start of 2008.

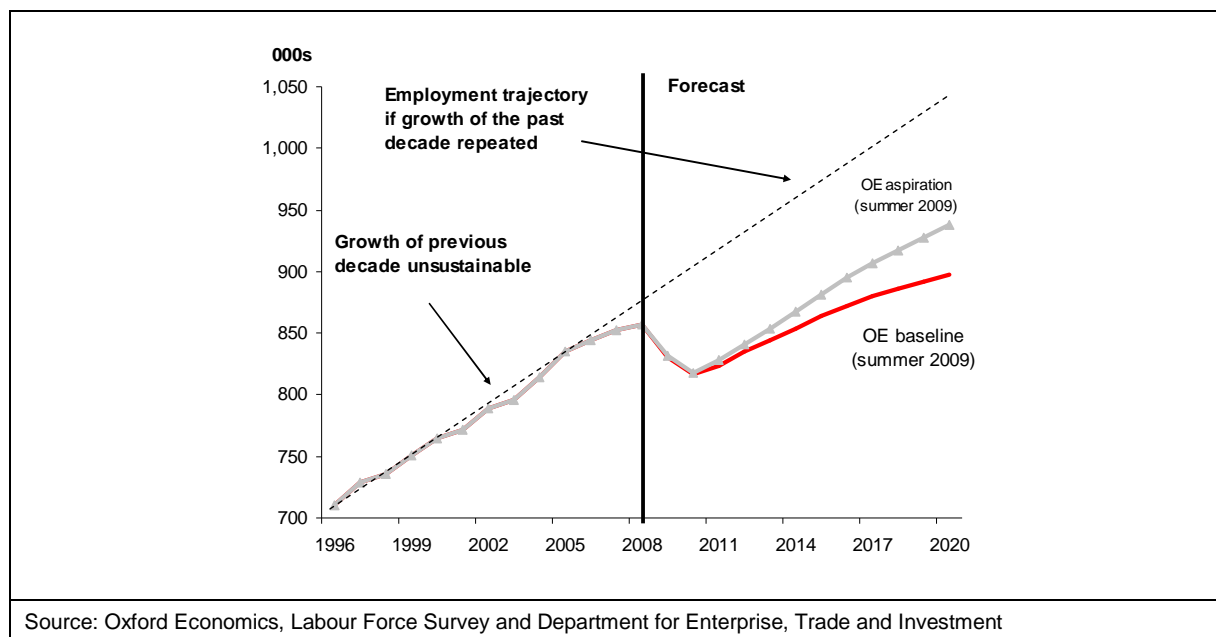


The current recession is also raising important strategic development questions over longer-term economic prospects. Is the financial and business service growth model still valid? Could industrial production return to the UK as a source of job creation rather than job loss? Will sterling remain weak and what impact will this have on exporting sectors? Will migration flows be altered permanently? Will previous rates of growth ever be emulated? All these questions exist as a challenging 'backdrop' against which any analysis of migrant worker impacts needs to be considered.

Though the longer-term outlooks remain positive beyond the recession, a return to the rate of growth of the previous decade is not projected (this was Oxford Economics' view pre-recession as well and has not changed). As Figure 2-7 illustrates, current forecast estimates suggest that previously

recorded annual growth rates are not expected to be sustained in the baseline scenario, and that employment expansion over the period 2010-2020 is likely to be no higher than two-thirds the rate of past growth. This may not be the outcome Northern Ireland aspires to, but the reality is that the decade ahead will be more challenging than ever, and the possibility of an over-supply of labour and rising unemployment is inevitable in the short-run.

Figure 2-7: Total employment in Northern Ireland – recent growth and forecast



2.3 Implications for migrant demand

As the stock of unemployment could not fall indefinitely throughout the 'golden era', and the incentives to join employment from inactivity remained low (with rising living costs, especially house prices and rents, this meant the financial trade-off between work and benefits remained marginal for some), the only way the NI economy could meet its rapidly expanding labour demand was via a sharp increase in migration inflows.

Fortunately, in the eyes of some commentators, the increase in labour demand coincided with the 2004 accession to the EU of eight eastern European countries (the so-called 'A8'), a political event which triggered significant and immediate flows of migrant workers into the UK and ROI.

Using our skills forecasting model developed for other research for DEL (see <http://www.delni.gov.uk/forecastingfutureskills>), Oxford Economics closely predicted the number of migrant workers required across the NI economy from 2004, based on overall demand for labour (including replacement demand) and the supply from education and different categories of non-employment, which comprised by 2004 a much smaller pool of native unemployed.

Looking ahead and based on the different economic reality described above, there will be a much lower aggregate net requirement for in-migration, especially during the recession, but also longer term. If migrant inflows were to remain at the level they have been (resulting in an even more competitive labour market during the recession) or if migrant workers are kept on in employment during the

recession at the expense of native workers, their *net* economic contribution would be quite different to the past period.

Of course the full extent of changes in the *supply* of migrant workers is unknown, and is extremely difficult to predict. Despite some fall in demand for their services in the labour market, there is unlikely to be a 'mass exodus' of migrants due to the important social drivers of migration that remain in force and similar economic weaknesses in origin economies such as Poland (there is also considerable uncertainty over the health of banking systems in many eastern European countries).

In Table 2-1, we show that under a scenario of sustainable growth post-2008 (5,000 net new jobs pa) and assuming no change in the entry rate of new graduates and school-leavers, the employment requirement for net migration would average 1-4,000 per year, a fraction of that during previous years but a level one might consider more sustainable. Obviously during the recession there will be a large surplus of overall labour given net annual job loss of just under 20,000 but beyond the recession our current forecasts predict a net requirement for in-migration of 3,000-6,000 per annum (although initially some of this may be supplied by the stock migrants and native workers made unemployed).

Table 2-1: Average annual labour requirement from education and in-migration, pre- and post-2008

	2004-2007 annual average (000s)	2008-2010 annual average (000s)	2010-2020 annual average (000s)	Sustainable annual average (000s)
Expansion demand (people-based)	11	-19	7	5
Net replacement demand (approximate)	16	12	16	16
Leavers (including out-migration)	56	58	58	58
Joiners	40	46	42	42
Net requirement from education and in-migration	27	-8	23	21
Entrants from education to employment	17-20	17-20	17-20	17-20
Residual in-migration	7-10	Negative	3-6	1-4

Source: Oxford Economics

Source: Oxford Economics skills demand forecasting model, 2009

Key labour market issues

As explained above, a more modest employment outlook for the next decade will clearly have implications for the quantum of labour required to fill the pool of new jobs. However, the worsening economic outlook should not necessarily be interpreted as meaning a drop in demand for higher-level skills (including higher-skilled migrants) – indeed, quite the opposite may result, especially in a more aspirational scenario for the economy. In order to produce internationally competitive products and services, a higher skills base will be required than in the past when the debt-led boom and economic catch-up in Northern Ireland generated rapid job growth, particularly in retail and construction which are less 'skills hungry'.

A period of slower economic growth also implies ongoing difficulties for Northern Ireland in tackling its persistent inactivity problem and a return to tackling unemployment being high on the policy agenda. Potentially, increased competition for jobs with migrant workers could reinforce or worsen NI's inactivity problem through so-called 'discouragement' effects, as native workers perceive migrants to be inherently favoured by employers for certain types of position or at minimum, closer to the labour market. Whatever the outcome of this possible conflict, the challenges faced by NI in reducing unemployment and benefit dependency (and its sister problem of long-term sickness, not illustrated by the chart here) seem set to continue in the absence of radical policy shifts.

3 Trends in Migration and Migrant Worker Stock Estimates

Introduction

In this section we review recent and historical patterns in migration to and from the UK, and look to estimate exactly how many migrant workers are currently resident in the UK and Northern Ireland.

3.1 Trends in migration to the UK

National trends

As Table 3-1 shows, the total number of foreign-born UK residents is estimated to have risen by more than 2 million in just seven years since the 2001 Census, far outstripping the rate of overall population growth and taking migrants' share of the whole population to more than 10 percent for the first time.

Table 3-1: Growth in UK residents born abroad, 1971-2008

	1971	1981	1991	2001	2008*
All people	52.6m	53.6m	54.9m	57.1m	60.4m
People born abroad	2.4m	2.8m	3.2m	4.3m	6.6m
People born abroad as percent of total	4.5%	5.1%	5.7%	7.5%	10.9%
Source: Census of Population (1971-2001) and Annual Population Survey (2008) *2008 data based on best available estimates from APS sample surveys between October 2007 and September 2008					

Given the sometimes intense media coverage these figures generate, it is worth remembering that the UK is far from alone in seeing a significant and rising proportion of migrants within its population and labour force. By OECD (developed country) standards, the overall proportion of total employment and low-skilled employment accounted for by migrants in the UK is actually fairly modest, and around half of the rates seen in other Commonwealth countries such as Australia and Canada (Table 3-2). Even within Europe, the UK has a lower overall migrant employment share than many countries, including Spain, Germany, Ireland and Sweden. Though this raises the question of when a foreign-born person ceases to be a migrant.

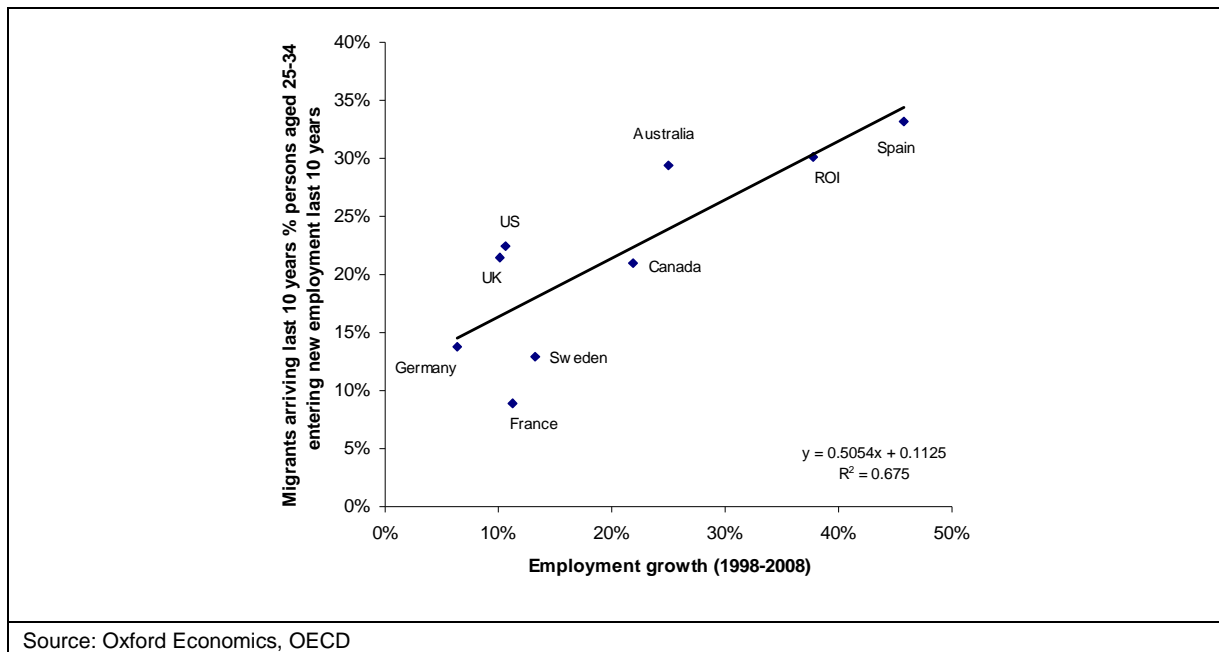
Table 3-2: International comparison in migrant share of total employment, 2007

	All Occupations		Low Skilled Occupations	
	All Migrants	Recent Migrants*	All Migrants	Recent Migrants*
Australia	26.3%	29.4%	31.7%	43.1%
Canada (2008)	20.5%	21.0%	21.0%	28.6%
US	16.8%	22.4%	19.9%	26.4%
Spain	15.9%	33.2%	33.6%	67.6%
Ireland	14.8%	30.1%	23.0%	53.7%
Germany	12.8%	13.8%	27.5%	45.4%
Sweden	12.8%	12.9%	25.1%	38.1%
OECD Average	12.0%	16.2%	21.2%	35.0%
France	11.2%	8.9%	21.2%	25.9%
UK	11.1%	21.5%	14.4%	38.1%

Source: OECD Migration Outlook, 2009. All figures relate to 2007 unless stated.
Note: recent migrant employment rates represent migrants arriving in the last 10 years as a proportion of all people aged 25-34 entering new employment within the last 10 years

Economic performance has clearly been a driving factor in the patterns observed across the economies in Table 3-2. As Figure 3-1 shows, there is a strong positive relationship between employment growth and the migrant percent of persons aged 25-34 entering new employment last 10 years, suggesting many of the faster growing economies were exceeding their domestic labour supply capacity.

Figure 3-1: International comparison of employment growth and migrant job take up



International migrants are conventionally defined as people who move to another country for at least a year. Their reasons for moving are various and include asylum, marriage, family reunification and work, as well as, particularly for younger generations, general ‘cultural curiosity’ and search for new

experiences, as well as seeking to improve language skills. Migrants move in both directions, so the net flow is the outcome of inward and outward movements.

The main sources of net in-migration in UK in recent years (Table 3-3) have been the so-called 'New Commonwealth', especially India and Pakistan, and since their accession in 2004 the new EU members in eastern Europe. The balance of migration from the A8 countries may now be going into reverse as many Poles, Lithuanians and others return home and the inflow from these countries slows down under the impact of the recession¹. Indeed, the observable increase in late 2009 of 'job vacancy' signs outside bars, cafes, restaurants and hotels is one manifestation of the recent decline in attractiveness of the UK as a working location for many eastern European migrants. However, this is probably a temporary development and the net inflow of A8 migrants is considered likely to resume when the UK economy picks up again, if perhaps not on the same scale as in the past.

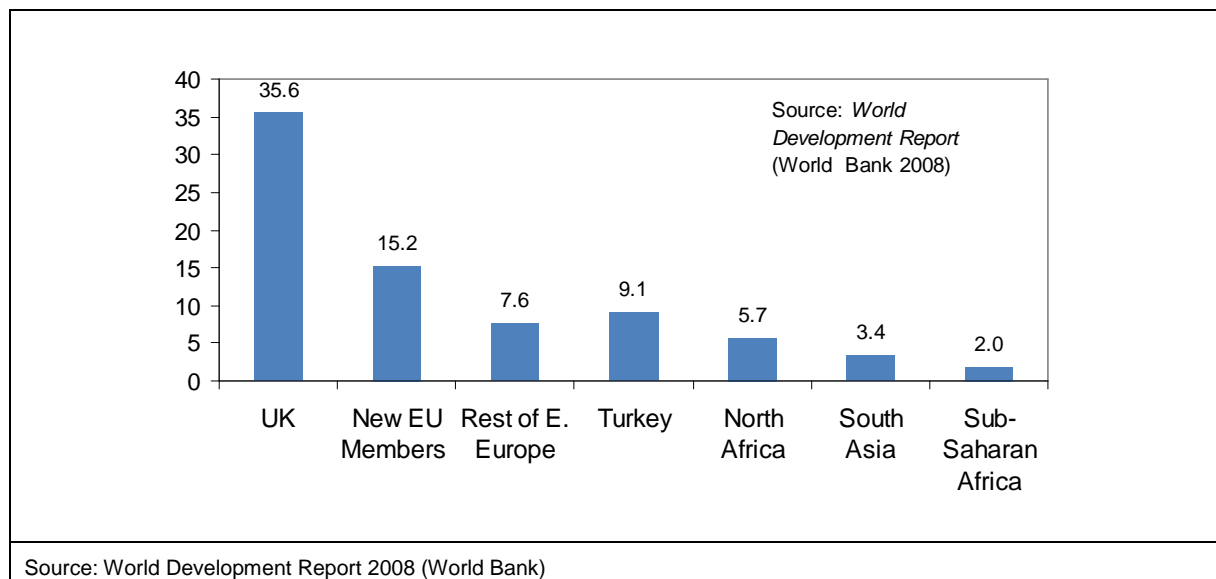
Table 3-3: Average Annual Migration Flows into and out of the UK (thousands)

Country / region of birth	All Countries	UK	EU 15	EU A8	Old Commonwealth	New Commonwealth	Other Foreign Countries
Inflow							
1991-1996	301	80	57	..	25	60	79
1997-2003	525	98	71	..	72	101	183
2004-2007	567	94	66	97	63	138	109
Outflow							
1991-1996	262	135	44	..	19	20	43
1997-2003	361	175	60	..	38	24	65
2004-2007	355	156	38	17	39	27	77
Balance							
1991-1996	+40	-55	+13	..	+6	+39	+36
1997-2003	+164	-76	+11	..	+33	+78	+118
2004-2007	+212	-62	+28	+80	+24	+111	+32
<i>Source: International Migration, Series MN no. 33, Table 2.3; International Passenger Survey (IPS) Tables, First Release 2007 (IPS Calendar Year), Table 3.04 IPS COB by Sex 07.</i>							

The net inflow from New Commonwealth countries is likely to continue for the foreseeable future. There is also likely to be a large inflow from countries such as the Ukraine and Turkey if they join the EU and if their citizens are given free entry to the UK labour market. Economic factors will be the main driving force behind these flows. Per capita income is still many times larger in the UK than in most of Eastern Europe, Africa and South Asia (Figure 3-2) – despite rapid economic catch up from places such as the high-tech south of India – and such differences provide a powerful incentive for migration.

¹ This is manifested in data for the Worker Registration Scheme (the official labour market access route for A8 workers), which shows something of a collapse in new arrivals in both mainland UK and Northern Ireland in the third quarter of 2008 as economic conditions deteriorated and the first official confirmation was released of the UK's slide into negative growth. A stabilisation, however, was evident by the following quarter.

Figure 3-2: Per capita income (purchasing power parity), 2006



Recent and historical migration flows are reflected in population statistics. According to the latest estimates (2007-8), the most common countries of birth amongst the resident migrant population of the UK are India (610,000), Poland (440,000), ROI (410,000) and Pakistan (390,000).

3.2 Regional trends

Traditionally, most migrants have gone to London and to other areas where there was already a large immigrant community, such as the West Midlands. Northern Ireland has historically ‘missed out’ on these inflows for a host of understandable reasons, including the ‘Troubles’, an under-performing economy (until the last decade), a small immigrant community and of course its geographical isolation from the rest of the UK (although this has not been a factor constraining migrant inflows to ROI).

In contrast, new migrants from the A8 countries have dispersed more widely throughout the UK, both regionally and within regions outside of the main cities. For example, 12 percent of A8 migrants now reside in Wales, Scotland and Northern Ireland, as compared to 7 percent of migrants from other countries (Table 3-4). London is still nevertheless the largest pole of attraction by a long way for A8 migrants, just as it is for those from other countries. The location of A8 migrants is partly explained by the prevalence of low-wage occupations such as food processing and catering where there is a demand for their labour.

The most notable component of the recent inflow of migrant workers to Northern Ireland has been A8 nationals. There is no robust method of measuring the extent of outflows of workers from these countries as there is no requirement or mechanism to de-register from the UK Border Agency’s Worker Registration Scheme upon departure. Data on GP registrations data is used to measure international inflows, but again there is no system for recording de-registrations for people moving outside the UK. Inflow data, therefore, remains the most reliable source of analysis, though this has been estimated to under-count the actual number of A8 worker arrivals by as much as a third².

² See IPPR study, Pollard *et al* (2007)

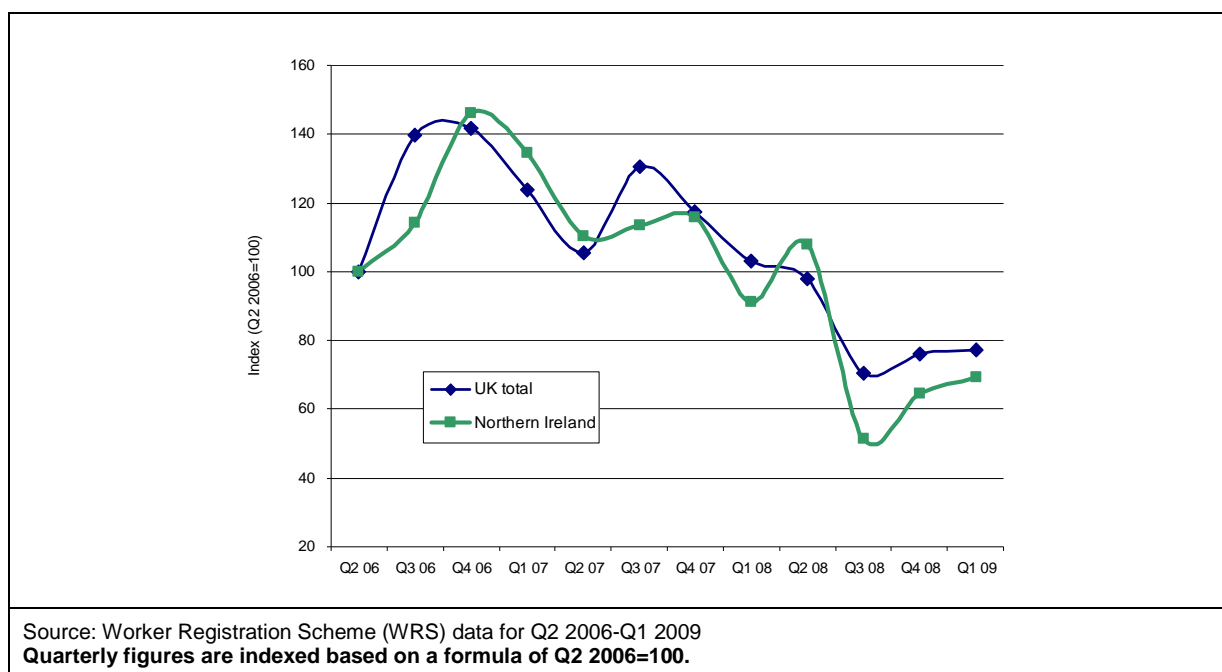
As Figure 3-3 shows, the volume of A8 worker inflows to both the UK as a whole and to Northern Ireland peaked in late 2006 (at 62,000 per quarter at UK level and 2,600 per quarter in NI). Since then, there has been a reasonably steady decline in the rate of inflow – in part a reflection on deteriorating economic conditions and employment prospects in the UK, particularly during 2008.

Table 3-4: Percentage distribution of UK migrant population by country of birth, Apr 07-Mar 08

	European Union A8 countries (joining EU in 2004)	Other countries
London	26%	40%
East Midlands	10%	5%
East	10%	8%
South East	10%	13%
Yorkshire & Humber	9%	6%
West Midlands	8%	8%
North West	7%	8%
Scotland	6%	4%
South West	6%	5%
N. Ireland	3%	1%
Wales	3%	2%
North East	2%	2%
Total	100%	100%

Source: Office for National Statistics

Figure 3-3: Trends in quarterly Worker Registration Scheme arrivals from A8 countries, 2006-2009



⁴ Note that these estimates refer to people currently *in employment*, not simply total migrants residing in the UK.

3.3 Migrant worker stocks in the UK and Northern Ireland

Estimating current migrant worker stocks is an exceptionally difficult task, given the severe and widely acknowledged data limitations surrounding migration data, particularly outflows. By nature, all figures purporting to represent actual migrant stock levels at any one point in time will be estimates subject to a degree of error.

Oxford Economics estimates

Oxford Economics has recently undertaken calculations on behalf of UK central government to estimate the total 2009 stocks of migrant workers across each region (Oxford Economics, 2009a)⁴. This research suggests that **the impact of migration upon the Northern Ireland labour market is a very recent phenomenon**: based on a detailed synthesis of all available data sources using a methodology broadly comparable to that used in a 2008 ‘migrant mapping’ report by the Institute for Public Policy Research (Pollard *et al*, 2008), we estimated that NI has one of the highest shares of so-called ‘new’ migrants (defined as post-2004 arrivals from all EU countries) within its workforce of any part of the UK.

The basis of our estimate of the total migrant worker stock in Northern Ireland, similar to other UK regions, was the Labour Force Survey (which is synonymous with the Annual Population Survey in GB). This suggests that as of Q3 2008, there were 54,700 migrants in employment in Northern Ireland – this however includes workers born in ROI who are excluded from the Migrant Worker Thematic Sub-Group definition. According to the 2001 Census there were approximately 14,000 ROI-born workers in NI which we expect has remained relatively stable given NISRA migration flows data to and from ROI. Deducting this would give an estimate for the non-UK and non-ROI born migrant workforce of roughly 41,000.

However, sampling issues mean this figure from the Labour Force Survey is subject to a fairly high likelihood of considerable error. An alternative methodology, working from Census data in 2001 and NISRA annual inflows and outflows and LFS migrant employment rate data, suggest a figure of 33,000 migrant workers in NI. As we explain in more detail in chapter 7, we believe the true figure is probably somewhere between 33,000 and 41,000.

In terms of the recently-arrived migrant workers from eastern Europe that have been afforded so many column inches in the UK press, our bottom-up methodology for converting the 35,000 worker registrations of A8 nationals in Northern Ireland since 2004 into estimates of current A8 stocks would suggest that **up to 20,000 migrant workers from the A8+2 countries** could currently (in 2009) be in employment in NI. The A8+2 include the A8 countries plus Bulgaria and Romania, who joined the EU in 2007. This figure of course relies on best available data and a number of critical assumptions on rates of migrant outflow, and so represents only a ‘best estimate’. Though as we say later, it is broadly consistent with NISRA’s estimate for the total A8 population in 2007 of 30,000 (see next).

Comparison with other estimates

In December 2008, using a different methodology to Oxford Economics but one drawing on a similarly broad range of data sources, the Northern Ireland Statistics and Research Agency (NISRA) published its own estimates of the stock of A8 migrants in Northern Ireland in 2007. It estimated that a total of 30,000 migrants – including the partners and children of migrant workers and those otherwise outside

employment – from A8 countries were resident in NI at that time, including 14,000 males and 10,000 females aged 15-44, 4,000 children and 2,000 people aged over 45. Since this figure of 30,000 includes those not in employment, and relates to 2007 when migrant stocks across the UK are generally considered to have peaked, it does not conflict with the Oxford Economics 2009 estimate of up to 20,000 migrant *workers* from A8+2 countries.

Another source of migrant worker stock estimates is to take figures direct from the Labour Force Survey which subject to a detailed analysis in this report, the full findings of which are presented in Appendix G. Like the APS in GB, the LFS is known to be subject to reliability issues in Northern Ireland, most notably a likely failure to account for many newer migrant workers who either work seasonally or spend significant amounts of time in temporary accommodation with friends or family. For migrants arriving before 2004, LFS estimates are however likely to be more credible, and a broad average stock level of around 15,000 'pre-2004' migrant workers is suggested for 2008.

Trends by sector

We have also estimated the sectoral distribution of so-called 'new' migrant workers. This was challenging given the relative scarcity of robust and comparable data providing a sectoral breakdown of migrant labour. The base for estimates in our 'bottom up' model must necessarily be the classification used by WRS data, which unfortunately does not fit neatly with established standard industrial classification (SIC) codes and instead represents something of a compromise between sectoral and occupational types. (The APS / LFS is an alternative but as said previously, is subject to sampling errors)

A UK-level and NI-level sectoral breakdown of workers from the so-called 'A8+2' accession countries (the A8 plus Bulgaria and Romania, who joined the EU in 2007) is displayed in Table 3-6. We have converted WRS inflow figures for A8 nationals into 2009 stock estimates for A8+2 countries using a series of 'scaling' factors, so the proportional distribution of both across sectors is equal.

Of the estimated 620,000 workers in this group currently in the UK:

- 40 percent work in the broad administration, business and management sector (unfortunately WRS data is unhelpful in identifying specific industries or occupations within this category as some of this will include temporary labour recruitment);
- Almost a fifth work in hotels and catering;
- Surprisingly, in our view, just 4 percent are classed as working in each of retail, construction and healthcare (though self-employment by migrants is thought to be fairly common in construction, and this is not covered by WRS data);
- One in ten have found employment in the agricultural sector, which fits with anecdotal evidence on common migrant occupations and clearly indicates that migrants are 'over-represented' in this sector relative to its share of the UK economy⁵.

⁵ In fact, additional agricultural workers will have entered the UK on the Seasonal Agricultural Workers Scheme (SAWS) and not registered on the WRS, so overall migrant density is likely to be even higher.

In Northern Ireland, the pattern is different. There is an ‘above-average’ concentration of migrant workers from eastern Europe in the manufacturing and construction sectors, and to a much more modest extent in healthcare.

Trends by nationality

The arrival of A8 migrant workers to the UK and Northern Ireland has not been evenly split in terms of nationality. In NI, Polish workers consistently accounted for around two thirds of all new A8 worker registrations between May 2004 and March 2009, meaning that around 20,000 Poles have come to Northern Ireland for employment purposes over the past five years. The next most common countries of origin are Lithuania and Slovakia, each accounting for up to 20 percent of all A8 inflows to NI. The remaining five A8 countries have not provided significant numbers of migrant workers.

Migrant workers from the A8 countries can be found all across Northern Ireland, but sectoral concentrations and the growth of social networks have both helped make the pattern of geographical distribution fairly uneven (Table 3-5). Belfast is the most popular destination, though given its role as NI’s regional economic driver it might have been expected to host more than 6,000 of the total 34,000 A8 migrant workers arriving since 2004. Other popular destinations, by council area, have included Dungannon, Newry and Mourne, Craigavon and Ballymena – all with large industrial bases. Interestingly, NI’s second city, Derry, has not witnessed large inflows of migrant workers.

Table 3-5: Top five and bottom five destinations for A8 migrant workers in Northern Ireland, May 2004-March 2009

Top five destinations for A8 workers...	District	Total WRS entries, Q2 2004-Q1 2009
1	Belfast	5,995
2	Dungannon	3,475
3	Newry and Mourne	3,175
4	Craigavon	2,960
5	Ballymena	2,260
Bottom five destinations for A8 workers...		
22	Ballymoney	320
23	Strabane	300
24	Moyle	115
25	Carrickfergus	105
26	Larne	45
	Total	34,340

Source: Worker Registration Scheme data (from UK Border Agency) up to and including Q1 2009

Clearly, the economic and social impacts of migrant workers in local areas are dependent not purely on the total number of new arrivals, but on the proportion of the local population and labour force they represent and on the capacity of local institutions and services to cope with the additional demands placed on them (Green, 2008). As Table 3-6 shows – and as is frequently suggested by anecdotal evidence – in proportionate terms Dungannon has seen the ‘largest’ relative impacts of A8 migrant workers, with 7 percent of its total population in 2007 estimated to be post-2004 arrivals from the A8

countries. This is mostly a reflection of industrial structure, with the Dungannon home to plentiful job opportunities in food processing and manufacturing industries.

Table 3-6: Total A8 migrant stock as a proportion of local population, 2007

District	Estimated A8 population, 2007	Total population, 2007	Estimated A8 as proportion of total population, 2007
Dungannon	3,700	54,300	6.8%
Craigavon	3,100	88,800	3.5%
Newry and Mourne	3,000	95,500	3.1%
Antrim	1,500	52,600	2.9%
Ballymena	1,600	62,100	2.6%
Cookstown	900	35,400	2.5%
Omagh	1,200	51,500	2.3%
Armagh	1,200	57,700	2.1%
Coleraine	1,200	56,800	2.1%
Magherafelt	900	43,100	2.1%
Belfast	5,000	267,500	1.9%
Fermanagh	1,000	61,300	1.6%
Ballymoney	300	29,700	1.0%
Down	600	69,200	0.9%
Limavady	300	34,400	0.9%
Lisburn	1,000	113,500	0.9%
Newtownabbey	700	81,700	0.9%
Strabane	300	39,400	0.8%
Ards	500	77,100	0.6%
Banbridge	300	46,400	0.6%
Derry	600	108,500	0.6%
Moyle	100	16,700	0.6%
Castlereagh	300	65,600	0.5%
North Down	300	78,700	0.4%
Larne	100	31,300	0.3%
Carrickfergus	100	40,000	0.2%
Northern Ireland	30,000	1,759,100	1.7%

Source: Northern Ireland Statistics and Research Agency, 2008

4 Academic Literature on Migrant Worker Impacts

Introduction

In this section we review all relevant and available literature on the economic, labour market and skill impacts of migrant workers. We draw on international evidence but also focus on the full range of published studies in Northern Ireland, Great Britain and ROI. A full bibliography and reference list is provided in Appendix A.

Note there are, we believe, significant gaps in existing literature on migrant economic impacts which we obviously cannot cover here in this chapter (although we do in our own analysis later). One of the main gaps, only slightly touched upon in this chapter, is the additional demand impact of migrant workers. This can take several forms. Increased demand for public services, which given public spending allocations from the Barnett Formula are population-based, should result in extra public spending (and possibly though not necessarily additional public sector employment). Other demand impacts are the need for additional housing (creating construction jobs) and demand from migrant local spending.

4.1 The Economic Impacts of Immigration: Theory and Evidence

Immigration has many potential benefits. Highly educated migrants bring valuable skills, help to fill labour shortages and establish economic and cultural links with their countries of origin. Many immigrants have a strong work ethic (which often means higher productivity) and, whatever their educational level, have high aspirations for their children. New immigrants may also be more mobile than the local population and more willing to move to areas or occupations where there is a scarcity of labour. In the case of the UK, this is especially true of recent migrants from eastern Europe, who are typically young, without dependants and highly mobile. Borjas (2001) has called this ‘greasing the wheels of industry’.

Despite these significant benefits, immigration may have costs for both the population as a whole and especially for certain sub-groups. For example, the Office for National Statistics projects that with assumed rates of migration, the total UK population is projected to rise by 18 million (30 percent) over the next 50 years. A recent House of Lords report considered the quantum of this demographic expansion to be one of the main drawbacks of large-scale immigration because of its environmental impacts such as congestion, overcrowding and loss of amenity (House of Lords, 2008).

As far as the labour market is concerned, the main elements affected by migration are wages, employment, unemployment and labour force participation. The direction, magnitude and duration of these effects depend on a wide variety of factors and no simple generalisation is possible. This helps to explain why empirical estimates of the impact of immigration on native workers are so diverse. Another reason is that econometric estimation in this area is difficult and there is no consensus about the appropriate methodology. Moreover, **most of the existing evidence on migration refers to an era of underlying economic ‘dynamism’ and ‘buoyancy’ during which it was easier to absorb immigrants without significant harm to native workers.** Much of this evidence will be less applicable as the UK experiences recession (and more so if the recession is prolonged) and if migrant inflows and employment levels remain relatively high at the expense of native workers.

4.1.1 Theory

The conventional starting point for analysing the labour market impact of immigration is a simple economic model. In this model, immigration augments the supply of labour thereby intensifying competition for existing jobs. As a result, wages fall. This leads firms to take on more labour so that both immigrants and natives are able to find work, although at a lower wage than before. However, this situation is only temporary. Lower wages mean higher profits. Firms will react to higher profits by investing in new productive capacity thereby increasing the demand for labour and reversing the initial fall in wages (although in practice some firms may simply keep higher profits). Eventually wages will return to their old level prior to immigration. (Note this assumes no initial demand stimulus from a higher population and that demand is already being fully met by existing labour)

The above argument assumes that native wages are flexible and that firms are indifferent between migrants and natives. In practice, neither of these conditions may hold. Native workers may refuse to accept wage cuts as the price of keeping their jobs. Or firms may prefer migrants because they are better workers or easier to dismiss than natives. Either way, migrants may be employed in preference to natives. Alternatively, local regulations may prevent such 'exploitation' and ensure that migrants enjoy the same wages, conditions and security as natives. Even then, on a purely random basis, migrants will get some of the jobs that would otherwise have gone to natives. In all of these examples, immigration will initially cause native employment to fall and the result will be a surplus of labour in the local labour market. What happens over the longer term depends on the behaviour of investment. In a buoyant economy, firms should respond to a surplus of labour by installing new capacity and creating new jobs for natives (although there is also always a risk that new investment can substitute for labour). Any job loss for native workers due to immigration will therefore be transitory. However there is always a possibility in today's world of almost infinite migrant labour that additional migrants will come into the economy, resulting in the overall effect being more than transitory.

In the above analysis, the immediate effect of immigration is to reduce either wages or employment for native workers. Over the longer-run, in a buoyant economy, these losses will eventually be reversed, because immigration will stimulate more investment and faster economic growth (at least that is according to the theory). How rapidly this will occur in practice is an empirical question that we examine below.

Complements and substitutes

The above analysis assumes that migrants and natives have similar skills and can be easily substituted for each other. However, this is not always the case. It may be that immigrants have characteristics that complement those of certain natives (for example migrants willing to do jobs natives are not) and for higher-skilled migrants their entry may enhance the productivity of the latter. It is easy to think of migrants with say language skills or knowledge of export markets which are genuinely complimentary. **As shown later in estimating the net economic contribution of migrant workers, evidence points to the latter being more applicable for NI recently (i.e. migrants complementing native workers rather than substituting for them, partly as unemployment had reached a historic low).**

As said above, the labour of highly skilled immigrants may increase the productivity of low skilled native workers and increase the wages they command. Likewise, the activities of immigrant entrepreneurs may create employment for native workers. **As a broad generalisation, natives gain**

from the inflow of workers whose characteristics complement their own, but lose from the inflow of workers who are like themselves and against whom they must compete.

The net effect of immigration on any particular category of native worker depends on the balance between these two effects. If the immigrants are mainly employed in skilled occupations then the net impact of immigration will be of benefit to less skilled workers. Conversely, if the immigrants mainly enter lower-skill occupations, then immigration will be to the benefit of skilled natives at the expense of less skilled natives (including less-skilled natives not in but seeking employment, though in NI many less-skilled natives are inactive and not seeking employment). Again this is simply according to the theory.

Note that there is a subtlety here: what matters are not simply the skills of the immigrants, but also the types of job they work in. Recent A8 migrants into the UK are on average better educated than the skill level required but they work in low paid jobs where they compete with less skilled native workers.

'Doing the jobs native workers will not do'

In rich countries many 'dirty', 'hard' or low status jobs are increasingly occupied by migrants from poorer countries ('luxury' employment occupations would also fall into this category such as home gardeners, house maids etc). They are said to be 'doing the jobs native workers will not do', or at least would not do before the recession. In practice this often means native workers will not do these jobs at the wages that employers are willing to offer. There are of course few jobs that natives will not do if wages are sufficiently high, no matter how 'dirty' or 'hard'. Moreover, one of the reasons that jobs are low status is precisely the fact that pay is low or they are increasingly dominated by migrant labour. This does not mean that there is no advantage to the native population from the use of migrant workers in such activities. It might be extremely expensive to pay the level of wages required to attract suitable native labour, and some employers might go out of business if compelled to do so. Moreover, the low pay of migrants in certain occupations is likely to benefit local consumers and taxpayers, including most native workers. The availability of migrant labour is cited as one factor helped to ease inflation pressures in the UK in recent years.

The 'lump of labour fallacy'

Claims that immigration harms native workers are sometimes based on the assumption that the demand for labour is fixed. This assumption is known as the 'lump of labour fallacy'. Stated in this extreme form it is, indeed, a fallacy. Immigration normally leads to faster economic growth and generates extra demand for labour (although causality is important here and often faster economic growth comes first).

In this sense, immigrants bring some extra jobs with them. For example in secondary sectors such as construction (building homes for migrants), retail (including specialist retail – think Polish food selections in supermarkets), education (English language tuition), health and other services such as language translation.

However, the extra jobs may not appear immediately and there may sometimes be quite a long transition period during which native workers experience unemployment (or lower wages). Also the quantum of extra jobs, based on standard multiplier analysis, may be lower than the quantum of direct migrant jobs, which matters if migrants displace native workers. Moreover, if there is a continuing

inflow of migrants, the labour market may be in constant disequilibrium, with economic growth and new job creation lagging constantly behind the expansion in labour supply due to immigration. In its extreme form the 'lump of labour fallacy' may well be a fallacy, but it points to a genuine issue of fixed demand, especially in the short-run.

Returns to scale

When analysing the impact of migration on native workers it is conventional to assume that production takes place under constant returns to scale. This means that if twice as much labour is employed, using twice the amount of equipment, the result will be twice as much output. However, this assumption is not always valid. Firms may derive various productivity benefits from congregating in the same town or city (called 'agglomeration'), and immigration may facilitate this process by providing labour that would not otherwise be available. Estimates suggest that for each 100 percent increase in the population of an urban area, output per worker rises by approximately 4 percent (Ciccone, 2002; Rice *et al*, 2006).

This is not a very large effect, but in the case of a sparsely inhabited region it could be important. For example, if high net migration into Northern Ireland led to the doubling in size of certain towns (and overall it added a number of people equivalent to a town the size of Coleraine during the last three years⁶), this could have a useful impact on productivity and thereby on wages. To be realistic, however, the scale economies resulting from immigration are in general likely to be very small in the UK context, especially where migrants cluster already in the major cities, and they must be weighed against the potential environmental and social effects associated with a larger population.

4.1.2 Evidence

In the realm of theory, economists mostly agree about the effects of immigration on native workers. There is less agreement about the scale and duration of these effects. This section begins by examining the international evidence and then goes on to focus explicitly on the UK evidence.

International evidence

In a detailed analysis, Longhi *et al* (2008) collated the results of 45 empirical studies on the labour market impacts of immigration published between 1982 and 2007. On average most of these effects were fairly small but there was a wide dispersion of results, reflecting different methodologies and different circumstances. The largest negative effects were reported for labour force participation. There is quite strong evidence that immigration discourages workless natives from entering or remaining in the labour market. The authors speculate that 'large adjustments in labour force participation might explain the apparently small adjustments in wages and/or (un) employment in response to immigration'.

They also find that immigration has a bigger negative effect on wages in the US than in Europe, whereas the negative effect on employment is greater in Europe. They speculate that this difference reflects institutional differences. Wages are less flexible in Europe so that competition from immigrants is more likely to result in job loss for natives than lower wages. The reverse is likely to be the case in the US where wages are more flexible (the UK, and thereby NI also, labour market would typically be more akin to the US than Europe).

⁶ NISRA Press Release, 'Population of Northern Ireland grows by 10,000', 2008

Furthermore, Longhi *et al* (2008) find evidence that **existing workers appear to be harmed by the immigration of workers who compete directly with them. The effect is strongest in the case of previous immigrants, who are often in direct competition with the new migrants.** The authors also conclude that, on average, immigration leads to a small increase in wages for natives. This could mean one of two things. It could mean that the gains for some groups outweigh the losses of other groups. For example, the entry of unskilled migrants might benefit skilled natives by more than it hurts unskilled natives. Or, it could mean that all native workers gain all round from immigration. This would be the case if the presence of immigrants increased the productivity of all native workers in some way. No empirical evidence however is available on these issues.

An OECD survey by Jean *et al* (2007) reaches similar conclusions. However, its balance of evidence is more on the negative impacts of migration. Two studies of particular importance in this context are Angrist and Kugler (2003) and Jean and Jiménez (2007). These are the only studies that deal with the impact of immigration on unemployment from a cross-country perspective. All of the others are concerned with individual countries. In their econometric study of EU countries, Angrist and Kugler estimate that for each 100 male immigrants, between 35 and 83 male native jobs will on average be lost. The effect is greatest in countries where native workers enjoy the most job protection. In these countries, employers cannot easily dismiss existing workers, but when filling new jobs they can choose immigrants who are easier to dismiss than native workers. The authors conclude that more labour market 'flexibility' would facilitate the absorption of immigrants and eventually reduce unemployment amongst native workers (though this would add downward pressure to wages). If employers could easily dismiss native workers they would have no reason to prefer immigrants. The estimates of Angrist and Kugler seem unduly large, but their general argument is plausible.

The paper by Jean and Jiménez examines the experience of eighteen OECD countries, including the US, Australia, New Zealand and a number of European countries. Their aim is to estimate the time profile of unemployment following an external immigration 'shock'. Their principal conclusions are as follows:

"Our estimates do not find any permanent effect of immigration, measured as the share of immigrants in the labour force, upon natives' unemployment. however, the transitory impact may be substantial; its magnitude and duration largely depends on the persistence of unemployment shocks, and it may last between five and ten years." (Jean and Jiménez, 2007)

Five to ten years is a long time and it refers to a once and for all rise in the share of immigrants in the national labour force. The share of immigrants in all advanced OECD countries is on an upward trend and may continue rising for some decades. If the estimates of Jean and Jiménez are correct, they imply that there will be a prolonged rise in native unemployment in some of these countries because of immigration. The UK has a relatively flexible labour market, so the effects supposedly identified by these authors should be smaller and less durable than those of the typical OECD economy. Even so, they could still be quite large.

This is an area of great uncertainty, so neither of the above papers should be taken as infallible. However, they raise important issues regarding the labour market impacts of immigration, particularly on native workers.

The country where the effects of immigration have been most intensively studied is the US. The emphasis has been mainly on wages:

- One highly influential study by Borjas and Katz (1997) found that immigration explained 27 to 55 percent of the substantial decline in the relative wages of high school drop-outs in the US over the period 1980-95.
- More recently, Borjas and Katz (2007) estimate that Mexican immigration permanently reduced the wages of US high school drop-outs by 7.5 percent over the period 1980-2000⁷. Other papers by Borjas reach a similar conclusion (Borjas, 2003; Borjas, 2006; Borjas *et al*, 2006; Borjas *et al* 2008).
- Using a different methodology, Card (2001) finds that in some of America's gateway cities, such as Los Angeles, large-scale immigration during the period 1985-90 'significantly reduced employment rates for younger and less educated native workers' (p58).
- Elsewhere, Card (2005) and also Smith and Edmonston (1997) find that immigration has a surprisingly small impact on native workers of any variety.

The work of Borjas has been criticised in a paper by Ottoviani and Peri (2006). These authors argue that Borjas ignores important differences between immigrants and natives which greatly reduce the degree of competition between them. They claim that immigrants frequently complement the labour of native workers in the same skill category, and so the two groups tend to avoid 'head-to-head' competition by performing somewhat different kinds of work. This reduces the negative impact of immigration on the wages and employment of natives in the same skill category. On the basis of this observation, Ottoviano and Peri modify and then re-estimate the basic model used by Borjas. They find that immigration has reduced the wages of unskilled natives, but by much less than Borjas claims. The critique of Ottoviano and Peri has been rejected by Borjas on the apparently valid grounds that they have made a serious error in data classification (Borjas *et al*, 2008).

Overall then the US academic dispute indicates the difficulty of reaching a consensus in this area. The weight of evidence at present is that **immigration into the US has had little long-run impact on the pay of the average native worker**. Some groups have benefited, whereas other have lost. The biggest losers have been unskilled natives, who have apparently suffered a significant reduction in their wages because of competition from immigrants, mostly from Mexico. This final conclusion could be overturned by future research, but this seems unlikely.

UK employment and unemployment

In a study for the Home Office, using now somewhat out-of-date Census data, Dustmann *et al* (2003) estimate that between 23 and 60 native jobs are lost for each 100 migrants finding work in the UK (this is a much higher rate of displacement than suggested by other evidence in this report).⁸ However using data from the LFS / APS, the same study finds a much smaller and less statistically significant effect. This is also the case in a later paper by these authors based again on the LFS / APS

⁷ This figure is derived from Table 11 of Borjas and Katz (2007). It is estimated that the combined long-run impact of all types of immigration on US high school dropouts was a *reduction* of 4.8%. Assuming Mexican immigration, but with all other types of immigration unchanged, the wages of high school dropouts would have *increased* by an estimated 2.7%. The figure of 7.5% is derived by adding these estimates.

⁸ These numbers are derived from the coefficients given in Table 4.1 of Dustmann *et al* (2003).

(Dustmann *et al*, 2005). The National Institute for Economic and Social Research estimates that immigration has led to an increase of around 0.3 percentage points in the unemployment rate during the period 2004-2005 (Riley and Weale, 2006). **Therefore the majority of UK evidence suggests a minimal native worker displacement impact from migrant workers**, which is perhaps not surprising given the strong economic growth during this period and flexible nature of the UK labour market.

Later research has focussed on the impact of recent A8 immigration. There are two kinds of evidence on this topic: aggregate national impacts and econometric studies based on detailed area comparisons. Total employment grew rapidly over the entire period 1997-2008. However, working-age employment for UK natives, after rising for some years, began to fall in 2004, just at the time when there was a surge of immigration from the A8 countries (Figure 4-1). The timing and scale suggest a causal relationship but the picture is more complex. The fall in employment for working age natives coincided with a fall in the UK-born working age population in the same age group as the baby-boom generation retired. As a result, the working age employment rate of UK natives hardly altered (Figure 4-2).

One interpretation of this evidence is that the supply of suitable working age natives in the UK was drying up and that immigrants from the A8 countries arrived just in time to fill the gap. Support for this interpretation is provided by the rapid increase in employment amongst older workers above the official retiring age. The fact that employers were turning to older workers as well as migrants is consistent with some form of domestic labour supply constraint. An alternative interpretation is that employers could have made a greater effort to tap into the remaining pool of workless natives of working age. However this might have been difficult, due to benefit trap issues, as well as a readily available supply of suitable older workers, and migrants. Regardless it does illustrate that the counterfactual scenario if migrants were not available to the UK economy may not simply have been a shortage of labour (wages may have been bid up, more native persons attracted into employment and more older workers may have stayed in employment for longer). This would result in a different interpretation of the *net* contribution of migrant workers,

Figure 4-1: Trend in UK employment, 1997-2008

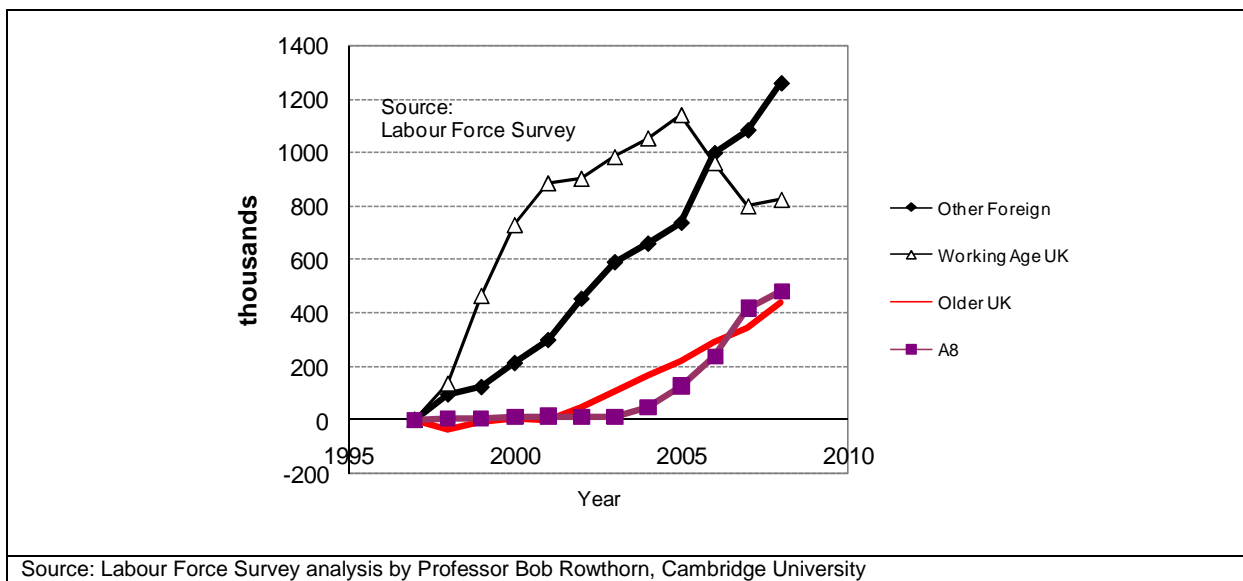
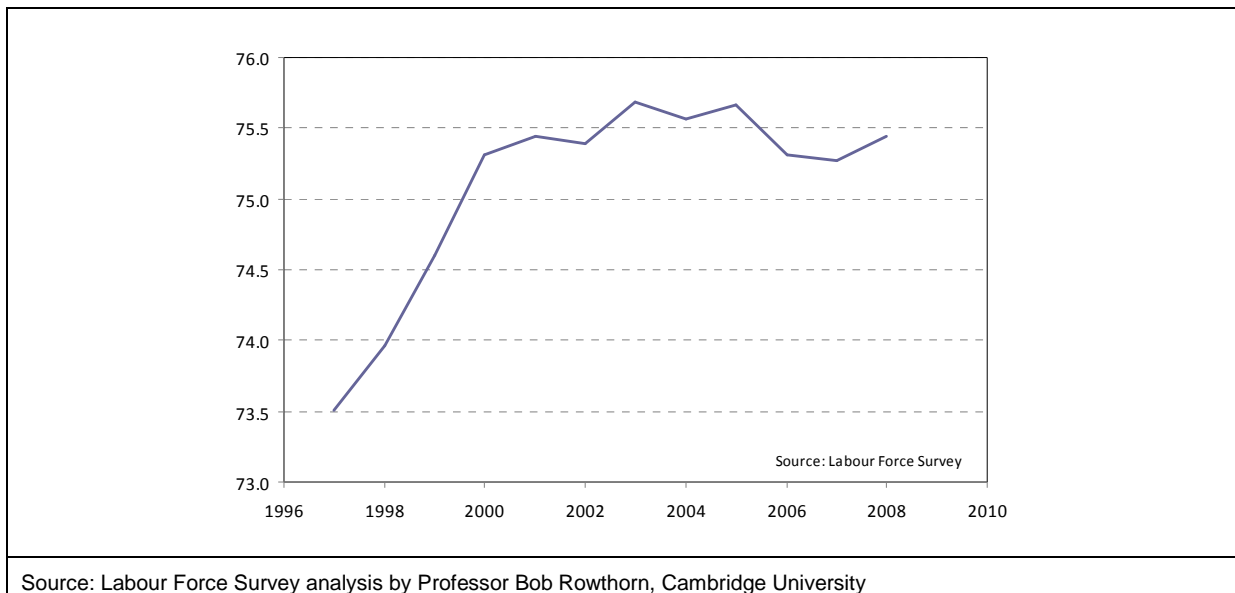


Figure 4-2: Trend in UK working-age participation rate of UK-born population, 1997-2008



In a report for the Department of Work and Pensions, Gilpin *et al* (2006) analysed the impact of immigration from Eastern Europe on unemployment in individual regions of the UK. The results depend on the econometric formulation used. Their estimated 'short-run' coefficients for estimated impact levels are typically small, while the 'long-run' coefficients are much larger but they are of low statistical significance. It is not clear what, if any, weight should be placed on these long-run estimates. A later paper by two of the same authors (Lemos and Portes, 2008) repeats the above exercise including more recent data. They also find that the short-run coefficients are small. However, they do not estimate long-run coefficients so a comparison with this aspect of their earlier paper is not possible.

The international evidence surveyed by Longhi *et al* (2008) suggests that the main impact of immigration is on labour force participation. Workers who experience difficulty in finding an acceptable job because of competition from immigrants may withdraw from the labour force. Likewise, competition from immigrants may deter people who are currently outside of the labour force from actively seeking work. This might have happened in the UK following the surge of immigration from the A8 countries which began in 2004. Unfortunately, there is no published econometric evidence on the effects of immigration on UK labour force participation beyond the analysis presented above by Professor Bob Rowthorn⁹.

UK wages

There have been several studies that have sought to quantify the effect of immigration on wages in the UK. The evidence they provide is somewhat inconclusive, but, taken as a whole, suggests that **immigration to the UK has had some positive impact on average wages, but has also led to a modest reduction in the wages of unskilled workers.**

Nickell and Saleheen (2008) examine the impact of immigration on the wages of various occupational groups. They find a reduction for skilled production workers and a much larger reduction for semi /

⁹ This topic is being investigated by the London School of Economics but the results are not yet available.

unskilled service workers. In the latter case, they estimate the reduction to be in the realm of 5 percent. Manacorda *et al* (2007) also suggest that unskilled immigration harms the local unskilled workforce, but its effects are confined mainly to previous immigrants. This is because later immigrants enter the same unskilled occupations as their predecessors with whom they compete. It is worth saying here that NI, unlike say London, did not have a particularly large stock of earlier immigrations pre-accession in 2004.

Dustmann *et al* (2008) examine the impact of immigration across the whole spectrum of income distribution. They find that immigration has led to a small reduction in the wages of the bottom 20 percent of earners. This is also the conclusion of a recent paper by Reed and Latorre (2009) who examine the impact of immigration on wages over the period 2000-2007. They estimate that a 1 percentage point increase in the foreign-born share in a particular regional and occupational subgroup of the workforce is associated with a 0.3 percent decrease in the relative wage of this group. However, as they conclude rather starkly, '[our findings suggest that] migration is of very little concern from a labour market perspective. There is simply no evidence to suggest that migration has any substantial negative impact on either wages or employment' (p6). Again, it is worth remembering here that this was a period of strong growth in the UK economy and relative labour market tightness which would in its own right would have minimised downward wage pressures.

Dustmann and his colleagues also find that the average worker has experienced a modest gain from immigration. They estimate that an increase of 1 percentage point in the share of the foreign-born working-age population leads to an increase of between 0.2% and 0.3% in average wages. Between 1997 and 2008 the foreign-born share of the working-age population rose by 5 percentage points (from 9 percent to 14 percent). Using Dustmann's estimates this would imply a total increase of roughly 1.5 percent in the average wage due to immigration over the period in question, although of course many other factors may have been at work.

Comment

This finding by Dustmann *et al* (2008) has certain features that deserve mention. If the scale of immigration were to fall dramatically, the share of immigrants in the population would start to fall and the gains from past immigration would gradually disappear. To maintain the 1.1%-1.6% increase in the average wage already achieved requires substantial immigration in the future. To achieve a further 1.1%-1.6% increase in real wages would require raising the share of foreign-born people in the total working-age population from 13.9% to 19.2%. This would require a permanently high rate of immigration and the result would be rapid and indefinite population growth. Unrestrained population growth would eventually have a negative impact on the standard of living through its environmental effects such as overcrowding, congestion and loss of amenity. Such losses would ultimately outweigh the small gain in average wages supposedly resulting from mass immigration.

Prof. Bob Rowthorn, University of Cambridge

The findings of Dustmann and his colleagues are based on data for the period 1997-2005. Reed and Latorre (2009) also find that the average worker experienced a modest gain from immigration over this period. However, using data for the later period, 2000-2007, they estimate that the average worker suffered a small reduction in wages because of immigration. This perhaps suggests that up to a certain threshold and until labour and skill shortages are filled, economies can absorb migrant labour without detrimental wage impacts. However as migration inflows rise above this threshold, such as in recent years, some downward wage pressure occurs.

4.2 The Republic of Ireland experience

It is worth analysing the experience in ROI in some detail since, as Gilligan (2008) notes, ‘since the partition in 1921 patterns of migration into and out of Northern Ireland have been more like those in the Republic of Ireland than those in the rest of the United Kingdom’. This includes decades of net emigration before a stabilisation in the 1990s and now fairly rapid rates of net immigration. Although ROI’s migration reversal occurred well before NI with much larger positive net inflows throughout the ‘Celtic Tiger’ years which only increased further with EU accession.

Much of the available literature on ROI focuses on reviewing the typical working conditions for migrants rather than their impacts on the Irish economy. Barrett and McCarthy (2007) found that immigrants experience labour market disadvantage relative to natives through both occupational attainment and earnings, ‘especially in the early part of the migratory experience, before they have acquired location-specific human capital’. They suggest immigrants to the ROI earned on average of 15 percent less per hour than native workers in 2005, with A8 immigrants earning 30 percent less (though remember ROI wage levels were already relatively high), and cautiously agree with the suggestion that profitability would have been positively affected by this trend through dampening wage pressures. This would have had macroeconomic benefits as well by ‘cooling’ the significant inflation pressures which ROI experienced during its years of boom and low interest rates set by the ECB, which were much lower interest rates than what the ROI economy actually needed at the time.

In an earlier paper, Barrett *et al* (2006) constructed a scenario-based economic model to derive quantitative estimates of the impact of immigrant workers in the Republic of Ireland who arrived in the decade prior to 2003 (before A8 accession). They suggested that:

- The positive impacts of immigration on GNP had been around 3 percent overall
- This impact on GNP would have been closer to 4 percent if immigrants had been employed in occupations better reflecting their skills and qualification level, which was generally high
- Although an inflow of unskilled labour would boost GNP, the impact on native low-skilled labour would be “very negative”, suppressing low-skilled wages by 4 percent, increasing low-skilled unemployment by 4 percentage points and causing a fall in GNP per capita (a common measure of living standards).

One of the most commonly perceived economic benefits of immigration is to tackle indigenous labour shortages. However, a paper for Forfás by the Expert Group on Future Skills Needs in 2005, reviewing the skills needs of the Irish economy, was quite dismissive in its view of immigration as a solution:

‘While the entry of migrant labour into an economy is intended to tackle labour shortages, what occurs in reality is that the additional demand created by the migrants approximately matches the increased capacity / output of the expanded labour force. As a consequence, the same level of labour shortages will occur following the migration of foreign labour into an economy as would have existed in the absence of immigration, albeit in different sectors. Thus, a policy that attempts to address labour shortages through inward migration will result in a constant spiral...’ (Forfás, 2005)

This argument has its roots in sound economic theory, but in reality it probably exaggerates the likelihood of immigrant workers boosting demand in other sectors via supply-chain linkage and other secondary effects such as consumer spending, construction and public services. McCormick (2008)

finds that immigration into Ireland has been ‘critical in keeping skills and especially labour shortages to a minimum’, and that ‘...assuming migrant labour acts as a complement to the skills set that already exists...’ there will only be positive impacts on the host economy. In general, McCormick finds this to be the case in Ireland and uncovers no conclusive evidence of outright displacement of native workers, though he argues that the scale and distribution of immigrant inflows to Ireland have delivered the potentially negative impact of ‘occupational segregation’ between native and migrant workers. The social and economic desirability of this state of affairs is clearly open to debate.

4.3 Evidence on economic impacts in Northern Ireland

The power of anecdotal evidence to form and sustain opinion, particularly when augmented by media coverage, is clearly evident from public attitude surveys on migration. No less than 85% of people in Northern Ireland agreed (either strongly or moderately) with the view that employers take on migrant workers because they are prepared to work for lower wages than local workers (Gilligan, 2008). However, finding quantitative evidence from employers or labour market surveys to support this notion is much more difficult – not surprising since average wage levels in migrant-dense industries often hover very close to the national statutory minimum.

Similarly and unsurprisingly, given the relative paucity of reliable data and the recency of the migration phenomenon in NI, academic literature on the economic impacts of immigration into Northern Ireland is extremely scarce. Most published studies to date on migration, such as those from the Institute for Conflict Research and others (e.g. Jarman, 2005; Martynowicz and Jarman, 2009), tend to focus on the social policy implications of rising immigration rather than its economic impacts. They do, however, confirm a number of notable migrant worker characteristics within the province, such as the importance of employment agencies as a channel for seeking work and the relatively high concentrations of migrants in lower-skilled, low-wage occupations within sectors such as food processing.

A two-way phenomenon

It is worth noting that rising levels of immigration into Ireland, both north and south, are not the only impact of ‘the age of migration’ upon Irish labour markets. Migration works two ways, and no less than a quarter of native Northern Irish people surveyed in a 2006 migrant worker attitude survey reported that they had lived outside Northern Ireland for at least six months (Gilligan, 2008). Increasing intercultural awareness and interaction, particularly amongst younger generations, and of course the globalisation of commerce have pushed international labour mobility to arguably record levels, augmenting the threat of so-called ‘brain drain’ but also the opportunity of returning workers to boost Northern Ireland’s competitiveness through improved international awareness.

4.4 Summary of findings: past experience and future prospects

In Ireland, the balance of evidence suggests that immigration has had an overall positive impact on the economy during the last 10-15 years, or at least few visible negative impacts (in economic terms at least). Migrant workers are generally seen to have brought complementary skills and ambitions to native workers, thereby minimising the displacement of natives though coming at the cost of so-called ‘occupational segregation’. However, the positive views of authors such as Fitzgerald *et al* (2007), who claim increases in both total GNP and GNP per capita as a direct result of immigration, and also a reduction in unemployment, are tempered somewhat by serious concerns over both the reliability of

available data to assess migrant worker impacts (Jayaweera and Anderson, 2008) and also the fact that much of the quantitative analysis has been undertaken during a period of rapid but what we now know to have been unsustainable economic expansion.

Similarly, the UK evidence on the labour market impact of immigration refers to a period when the economy was buoyant, and when most of the additional labour supply delivered by the inflow of migrants was speedily absorbed by expansion of the domestic economy. In the UK's case, this may help to explain why the estimated negative impacts of immigration are mostly rather small. Also the existence of a generous welfare system has meant that the labour market does not fully work as it might were this and other barriers not in place. However, like many other developed countries traditionally viewed as key destinations for migrant workers, the UK is now experiencing a severe recession and **past experience may be a poor guide to the future.**

Latest statistics released by the ONS (2009) indicate that total employment of native workers (including those of working age) is starting to fall whereas the stock of immigrant workers continues to increase rapidly:

- In the 12 months to October-December 2008, employment of UK-born workers fell by 278,000 (1 percent). In the same period, employment of non-UK-born workers rose by 214,000 (6 percent). This is partly driven by demographic trends, but is certainly a stark pattern over just one year and would appear to indicate some favouring of migrant workers by employers,

Some commentators would predict that immigration on the scale of the recent past during a period of severe recession could potentially have a significant impact on the employment of UK natives or nationals, as competition for jobs intensifies. Reed and Latorre (2009), in their aforementioned study for the IPPR, acknowledge that there may be competition for jobs between migrants and locals during the recession, but they argue that:

'It is likely that any impacts of migration on employment will be dwarfed by a large rise in headline unemployment figures' (p. 35)

From an arithmetic point of view this claim is probably correct. However, it does not necessarily imply that the effects of immigration on the labour market will be negligible. Immigration will not be the main factor accounting for the forthcoming decline in employment for local workers during the recession (the overall fall in economic activity will be the driver), but it may still turn out to be quite important if migrants are less likely to be made unemployed compared to natives. The same may also be true for wages.

Since the bulk of available evidence on the labour market impacts of migrant workers in the UK and Ireland was constructed during a period of sustained economic growth (as volumes of immigration increased starkly following A8 accession), it may be that predictions of longer-term rather than short-term impacts are best served by reference to this material (though whether Ireland's much-publicised 'Celtic Tiger' growth rates are replicable in the future remains uncertain).

The major unknown at present is clearly the ultimate impact of a severe recession upon stocks of migrant workers in both Northern Ireland and the rest of the UK, and this may turn out to be the most important influence on migrant workers' impact on the long-term nature of the labour market.

Hypotheses to test

Based on this review of international and UK literature, the following broad hypotheses can be formulated. We test these in the rest of the report using evidence from our NI research.

- Migrant workers and native workers have tended, at least during recent years of economic expansion, to be ‘occupationally segregated’;
- Migrants have played an important role in filling labour shortages in certain lower-skilled occupations over the past 5-10 years, thereby helping to fuel economic growth to some degree;
- Migrants do not have large adverse impacts on the wages of native workers, though some modest impacts do seem to occur on the earnings of lower-skilled or unskilled workers;
- If displacement of native workers does occur, it tends to be in lower-skilled occupations and can lead to the voluntary withdrawal of natives from the labour force through ‘discouragement effects’.

5 Profiling the Employment of Migrant Workers in Northern Ireland

Introduction

Here we present the results of our research into the extent and nature of migrant worker employment in NI, drawing on selected findings from our survey of employers, consultations and review of the existing quantitative evidence base.

5.1 Migrant intensity across sectors

We have already established that migrant workers, notably A8 migrants, have penetrated almost all geographical areas and economic sectors of Northern Ireland, although to differing degrees. Some localities, such as Dungannon, with a concentration of migrant-dense economic activities, have attracted considerably more migrants (in relative terms) than areas whose economic structure is less dependent on migrant-dense activities. First-round migration effects can then be self-reinforcing as families and friends then arrive to join the first movers.

Of course it is not only the relative spread of migrants across the country that is important when assessing economic, labour market and skills impacts, but the *proportion of the total workforce* they actually represent in key sectors. This information also helps to identify any areas of particular migrant-dependence and associated economic risks.

Our Labour Force Survey analysis helps to understand overall rates of ‘migrant intensity’ across the Northern Ireland economy¹⁰. As Table 5-1 illustrates, a small number of sectors in NI could well be described as being ‘propped up’ by or at least heavily dependent on migrants – for example the manufacture of food & beverages, other manufacturing sub-sectors and hotels & restaurants. While extreme caution needs to be exercised with these results given LFS sample size issues at 2-digit SIC level, they generally fit with anecdotal evidence on the role migrant workers play in Northern Ireland.

Table 5-1: Migrant workers as a proportion of total employment in Northern Ireland, 2006-2008 average (top five ‘migrant-intense’ sectors)

Migrant pre-2004		Migrant post-2004	
2-digit SIC sector	% sector employment (average 2006-08)	2-digit SIC sector	% sector employment (average 2006-08)
Hotels & restaurants	7%	Manufacture of food & beverages	18%
Computer & related activities	6%	Manufacture of furniture & manufacturing nec	7%
Manufacture of furniture & manufacturing nec	5%	Hotels & restaurants	7%
Manufacture of food & beverages	5%	Manufacture of machinery & equipment	5%
Health & social work	4%	Computer & related activities	3%

Source: Labour Force Survey, FGS McClure Watters

Source: Labour Force Survey, FGS McClure Watters

Note: Only sectors with 5,000+ persons in employment presented

¹⁰ LFS analysis in Northern Ireland is subject to a number of important caveats, which mean results are indicative only. See Appendix G for more information.

Assessing the sectoral role of post-2004 migrant workers from eastern Europe – important in managing economic risks given the increased likelihood of their sudden departure – is fairly challenging given uncertainties over the sectoral classification used by Worker Registration Scheme data. We have nevertheless attempted to match up the groupings it uses with established SIC codes and link them to what is known about total employment in relevant sectors.

Through this analysis, which we have undertaken at a UK level to facilitate comparison between Northern Ireland and other regions, we estimate that:

- The so-called ‘A8+2’ group of eastern European migrants account for a relatively small proportion of the retail, manufacturing and construction workforce in almost all migrant-intensive regions of the UK. In most cases this is less than 2 percent, though slightly higher shares are visible in London construction and Northern Ireland manufacturing and construction
- There is significant variation by region in the proportion of the total workforce accounted for by A8+2 migrants in both the hospitality sector and in administration, business and management¹¹. The highest figures are in London’s hospitality sector and in administration, business and management in both Northern Ireland and the East Midlands. This could potentially lead to a significant supply-side growth constraint if A8+2 stocks are reduced in future years (perhaps as a result of Sterling weakness), though anecdotal evidence is starting to show that natives are now applying in large numbers to a range of sectors – such as hospitality – that recently have been almost exclusively dependent on migrant labour.
- A8+2 migrant workers appear to account for around a quarter of all current employment in the UK agriculture sector, and as much as a third in the East of England.

Our consultations with employer representatives revealed a number of interesting features of migrant worker employment in Northern Ireland. For example, there is evidence of extremely high overall migrant intensities – as much as 80-90% – in certain sub-sectors or professions in individual firms, including particular types of lower-skilled roles in agriculture, food processing and health and social care. In these areas, employers reported major difficulties in filling labour shortages locally, so the availability of migrants was a plus. However managing communication and cultural issues with migrant workers and concern over vulnerability to a sudden outflow of migrants are downsides.

There is also evidence of clear variation in migrant intensity *within* sectors in Northern Ireland. For example, in the hotels and catering industry, particular occupations such as housekeeping and kitchen portering often are dominated by migrant workers, yet there is some suggestion that migrants are sometimes less conspicuous in customer-facing roles due to language problems or perceived cultural barriers (such as perceptions of ‘sternness’ in the case of some eastern European cultures, which some UK employers deem unsuitable for roles involving extensive customer interaction). There is clearly no general rule here, since few would contend that migrant workers are frequently visible in customer-facing positions in many UK service industries, and indeed are often complemented for their efficiency in performing their roles.

¹¹ Administration, business and management is a very broad grouping used by WRS data, and effectively a mix of sectoral and occupational categories. It covers a broad range of general business and office-based employment, though also covers a significant portion of employment arranged by agencies across other sectors.

Finally, our consultations revealed interesting evidence of major variation in migrant intensity across ‘similar’ firms even within the same sector. In construction, for example, we spoke to Northern Irish firms apparently in direct competition with each other employing very different shares of migrant workers – according to businesses consulted, overall migrant intensity at these firms was reported at anything between 5 percent and 50 percent (though some of this difference may also depend on whether businesses included sub-contractors in their assessment). Potentially this hints at the ongoing reinforcement of respective migrant intensities through social networks (in the form of word-of-mouth referrals from friends or relatives currently in employment) or perhaps even recruitment preferences and procedures on the part of firms.

Migrant-dense sectors: an alternative concept

Departing slightly from the idea of overall ‘migrant-intensity’, we have used the LFS to identify a number of sectors in which, although the total number of migrants may not be large, have proved more ‘popular’ employment destinations for migrant workers than for non-migrants. A ‘migrant-dense’ (MD) sector is defined as one where the number of migrant workers as a share of all migrant workers is higher than the number of native workers as a share of all native workers. For example, 2 percent of all migrant workers in Northern Ireland work in the IT industry, compared to 1 percent of all native workers – the sector is therefore termed in our analysis as ‘migrant dense’. For clarity, an MD sector is not necessarily one where there are more migrants than non-migrants. In fact, table G-2, which shows the make-up of each sector, demonstrates that the overwhelming majority of each sector is comprised of non-migrants.

This analysis, as Table 5-2 illustrates, finds that 29 of the 59 sectors in the Northern Ireland economy can be described as ‘migrant-dense’ according to this definition. There is a reasonably even spread of ‘migrant-dense’ sectors across manufacturing and services, and also across the private and public sectors. It is also evident that a number of sectors have become migrant-dense as a result of more recent arrivals to NI, since migrants arriving before 2004 represent a smaller proportion of total employment (these sectors are highlighted in blue in Table 5-2).

Migrant-dense sectors, created by this somewhat artificial definition, should clearly not take priority over genuinely ‘migrant-intensive’ sectors when pinpointing the most important roles of migrant workers in the economy. The analysis does, however, demonstrate two noteworthy points: firstly, that some sectors, such as IT and computing, are more common/popular destinations for migrants than they are for native workers – information that may be useful in skills or general development strategies for industries in a similar position; and secondly, that in some sectors, such as construction, overall migrant-intensity may be relatively high (often leading to significant media attention), but in fact they are less common destinations for migrant workers than they are for natives. **Overall, the sectors of the economy where migrant workers have made the most impact would probably be said to be those with *both* a high migrant ‘intensity’ and a high migrant ‘density’: manufacturing, hospitality and health & social work are the clear nominees here.**

Table 5-2: Migrant-dense industry sectors in Northern Ireland, 2008

MD Sector Names	UK Nationals	Migrant Employment		
		All Mig	Mig Pre 2004	Mig Since 2004
Other Mining and Quarrying	0.4	0.5	0.4	0.6
Manufacturing	12.6	22.2	14.9	33.4
<i>Manufacture of Food and Beverages</i>	2.3	10.6	7.4	15.4
<i>Manufacture of Tobacco Products</i>	0.1	0.3	0.0	0.7
<i>Manufacture of Textiles</i>	0.6	0.8	0.0	2.1
<i>Manufacture of Wearing Apparel</i>	0.5	0.5	0.8	0.0
<i>Manufacture of Wood and Products of Wood</i>	0.2	0.4	0.0	0.9
<i>Manufacture of Pulp Paper and Paper Products</i>	0.2	0.5	0.0	1.2
<i>Manufacture of Rubber and Plastic Products</i>	0.8	0.9	0.8	0.9
<i>Manufacture of Other Non-Metallic Mineral</i>	0.5	0.8	0.7	0.8
<i>Manufacture of Machinery and Equipment</i>	0.7	1.2	1.1	1.4
<i>Manufacture of Office Machines and Computer</i>	0.4	0.7	0.3	1.4
<i>Manufacture of Electrical Machinery</i>	0.4	1.1	0.7	1.7
<i>Manufacture of Television and Line Telephone</i>	0.3	0.2	0.3	0.0
<i>Manufacture of Medical and Optical Instruments</i>	0.3	0.7	0.4	1.3
<i>Manufacture of Motor Vehicles and Trailers</i>	0.8	1.2	0.5	2.3
<i>Manufacture of Furniture and Manufacturing N.E.C</i>	0.7	1.4	1.0	2.1
Electricity Gas Steam and Hot	0.3	0.2	0.0	0.6
Construction	10.9	7.2	4.5	11.3
Hotels and Restaurants	3.7	12.2	13.4	10.4
Post and Telecommunications	1.6	1.6	2.0	0.9
Renting Machinery and Equipment	0.1	0.5	0.0	1.2
Computer and Related Activities	0.9	1.7	2.0	1.2
Research and Development	0.1	0.2	0.4	0.0
Other Business Activity	4.9	4.6	5.9	2.5
Health and Social Work	12.3	22.6	24.0	20.5
Sewage and Refuse Disposal	0.1	0.8	0.9	0.6
Activities Membership Organisations	0.7	0.9	1.6	0.0
Private Households	0.2	0.2	0.0	0.4
All Migrant Dense Sectors	45.2	74.6	69.3	82.7

Source: Labour Force Survey, FGS McClure Watters

5.2 Migrant recruitment in Northern Ireland

Not only did employers in our survey report broad overall use of migrant workers, they also provided extremely interesting and surprising evidence – given the widely expected effects of the current recession on migrant outflows – that suggests the **overall employment of foreign-born workers across Northern Ireland is yet to peak**. Overall, 43 percent of employers stated that their use of migrant workers is the highest it has ever been in 2009, while 33 percent reported a peak in 2008 and very few claimed a drop-off in migrant employment since 2007 or before then. A possible exception is the construction sector, in which slightly more employers reported that migrant employment had peaked in 2008 (35 percent) than 2009 (31 percent).

Our survey provides further evidence of the startling ‘recency’ of the trend towards widespread migrant employment in NI. It shows that almost two thirds of organisations (64 percent) employed migrants for the very first time after 2005, including 20 percent since 2007. Our LFS analysis supports this idea by suggesting that by 2007, workers who arrived since 2004 accounted for a greater proportion of total

employment as migrants who had arrived prior to 2004 (this had fallen back to parity in 2008 according to the data).

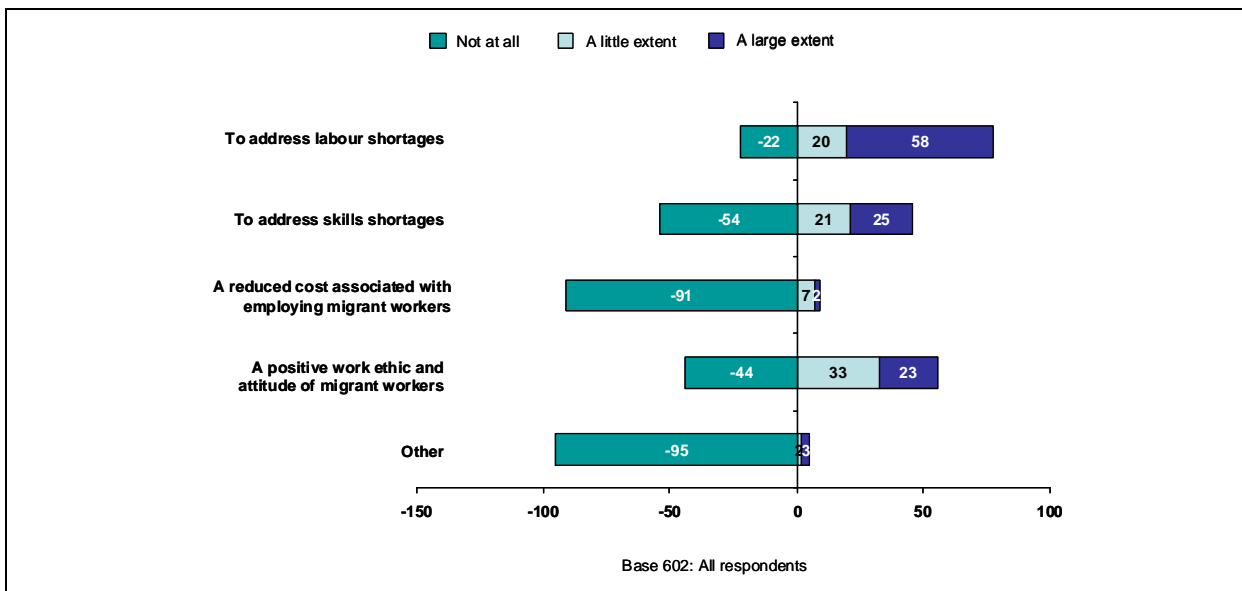
In terms of the ‘phasing’ of arrival of migrant workers in different sectors:

- Evidence from our consultations suggests the majority of income-driven or pro-cyclical sectors – such as hospitality, retail or construction – have predictably seen their migrant intensities rise and fall in parallel with the business cycle, with the highest rate of new migrant arrivals being witnessed during the years of rapid economic growth from 2004.
- In other sectors, however, patterns of arrival have been very different, with the food processing industry reporting high overall migrant intensities from 2000 onwards (e.g. Portuguese workers), and the agriculture and healthcare sectors both reporting significant levels of migrant-dependence since the 1990s (e.g. Filipino nurses).

Reasons for employing migrant workers

In general, our survey shows that **migrant workers have been employed in Northern Ireland to address labour shortages rather than specific skill shortages** (Figure 5-1). Across the whole sample, 78 percent of employers claimed migrants helped to maintain an adequate supply of labour, while a much reduced 46 percent reported they had filled specific gaps in skills. This is an interesting finding, partially reflecting the lower-skilled nature of migrant-intense employment sectors. The other notable reason for employing migrants, as reported by NI employers, is a perceived positive work ethic and attitude, which often compares favourably with perceptions of benefit-dependency and a poorer work ethic amongst some native jobseekers.

Figure 5-1: Reasons for employing migrant workers in Northern Ireland



Source: Perceptive Insight Market Research and Oxford Economics, survey of 600 employers in Northern Ireland undertaken in May 2009.

Box 5-1: Reasons for employing migrant workers in Northern Ireland

“At that time there were very few applicants so the agency provided migrant workers”

“They were the best candidate for the position we advertised”

“They were the people who turned up and did the job”

“We just chose the right person for job”

“We used recruitment agencies and they provided us with migrant workers”

Source: Oxford Economics employer consultations

5.3 Characteristics of a migrant worker

In general, our research suggests overwhelmingly that migrant workers in Northern Ireland conform to the popular image of being hard-working, relatively over-skilled for their position and displaying a short-term focus on maximising hours and earnings before seeking to return home. We found that a typical migrant is:

- Aged 20-45 (with most in their late twenties);
- From eastern Europe, particularly Poland (though there are significant concentrations of other nationalities in particular occupations, for example Asians in the healthcare sector, Portuguese in the food processing industry, and south and east Asians in higher-skilled IT roles);
- Significantly over-skilled for their job (a main motivation has been a desire to learn English, travel and engage in new cultural experiences featuring, with less concern paid to matching skills to suitable employment and long-term career development);
- Willing to work long hours or overtime to maximise earnings; and
- Intent on returning home within 1-2 years of arriving in Northern Ireland (though recent evidence from the Schools Census on rates of family formation suggests that an increasing number are choosing to settle in NI in the longer-term).

Our survey of employers shows that around half of migrant workers leaving their jobs in NI do indeed return home (highest at around 60 percent in manufacturing and construction), supporting the notion of a ‘short-termist’ approach. One notable exception, however, is the health and social care sector, in which 40 percent of migrant workers leaving their jobs choose to move into another job within NI. Against an economy-wide average of just 14 percent, this suggests a trend of much greater flexibility for migrants in this sector, and probably reflects the fact that migrants in health are generally more ‘long-term’ in their settlement in NI and are often resident alongside their families.

Skills and occupations of migrants in the UK

In general at UK-level, migrants are, on average, better educated than the UK-born population. The difference is most marked amongst recent arrivals, of which almost half have completed some form of higher education and only one tenth finished school before they were 17 years of age (Table 5-3).

Of course part of this is simply down to the demographics of migration – recent migrants are predominantly young and younger persons are better qualified than the workforce as a whole. Also the above view assumes that ‘age finished education’ is a good proxy for the quality of education attainment which may not always be the case, not to mention the issue of ‘transferability’ and recognition of foreign qualifications in the destination country.

Table 5-3: Education and immigrant status (working-age population), 2007

Age Finished Education	UK-born	All immigrants	New immigrants
<=16	55.4%	27.0%	10.5%
17-20	18.1%	34.7%	42.3%
21+	17.6%	38.3%	47.2%

Source: Wadsworth (2007)

The relatively high level of education amongst immigrants is partly reflected in their occupational choice: across all ‘first generation’ migrants in the UK, including those arriving several decades ago, almost a third (31 percent) of those in work are employed in a managerial or higher professional occupation¹². The corresponding share amongst the UK-born population is 29 percent (Wadsworth, 2008). Though remember NI has a much smaller concentration of ‘first generation’ migrants.

However, a striking feature of more recent migrants is their concentration in low-skilled jobs. Despite their relatively high level of education, around 33 percent of them are employed in elementary occupations and a further 25% in personal service, sales and processing.

The concentration of recent migrants in low-skilled occupations is reflected in their earnings. Some 68 percent of the A8 workers who applied to enter the UK between October 2007 and September 2008 under the Worker Registration Scheme stated that their rate of pay was between £4.50 and £5.99 per hour (Home Office Accession Monitoring Report, 2008). This puts them in the bottom 10 percent of the earnings distribution. The minimum wage for an adult aged 22 years or older was £5.52 during the period in question.

Employment rates vary widely amongst the overall migrant population. In July-September 2008, the proportion of the UK-born population of working-age with a job was 76 percent. For migrants as a whole, the figure the figure was 69 percent. For specific groups, employment rates were quite disparate: for those from the A8 countries it was 84 percent, for Indians it was 71 percent, while for Pakistanis and Bangladeshis it stood at just 49 percent. The latter figure reflects the very low rate of labour force participation amongst married women in these communities. Analysis from the Census and the Labour Force Survey for NI (see chapter 7) indicates that the non-UK and non-ROI-born

¹² The term ‘higher professional’ here covers all forms of professional occupation except for ‘assistant professional’.

migrant working-age employment rate has risen from 62 percent in 2001 to over 80 per cent percent in 2008. Part of this improvement reflects a general economy-wide rise in employment rates, but mostly the increasing share of A8 workers in overall migrant employment (many of whom are male and young – the demographic group with typically the highest employment rate). This evidence is consistent with the UK evidence for A8 employment rates.

In general, the evidence suggests that recently-arrived eastern European migrants have often found themselves working in relatively low-skilled, low-paid occupations, and often well below the level of their qualifications, while migrants from other EU nations and the rest of the world have frequently enjoyed access to much higher skilled and better paid roles (though NI has fewer of the latter group of migrants). Illustrating this point, Table 5-4 presents model-based estimates from ESRC research into the occupational split of WRS (A8) and work permit (non-EU) entrants to the UK labour market, finding a fairly stark polarisation in job type between the two groups.

Table 5-4: Occupations of WRS and work permit entrants to the UK labour market

	Occupational breakdown, %	
	Worker Registration Scheme (A8 migrants)	Work permits (non-EU migrants)
Managers and administrators	3.3%	15.7%
Professionals	1.3%	27.3%
Associate professionals	1.0%	46.9%
Clerical	1.8%	0.1%
Craft	3.9%	0.6%
Personal and protective	12.9%	8.1%
Sales	3.8%	0.1%
Plant and machine operatives	36.1%	0.3%
Other	31.2%	0.9%
Unknown	4.1%	0.0%
Total	100.0%	100.0%

Source: Economic and Social Research Council (ESRC), September 2006

Evidence from our survey of employers shows that **in Northern Ireland, migrant workers have indeed generally filled relatively low-tier occupations, with the possible exceptions of construction (where almost three quarters are somewhat surprisingly reported to work in middle-tier occupations or above) and healthcare (where a third work in higher-tier roles, which presumably includes doctors and nurses)**. The spread of common tiers of occupation by sector is displayed in Table 5-5.

Table 5-5: Broad tier occupations of migrant workers in Northern Ireland, by sector

	High tier occupations	Middle tier occupations	Low tier occupations
Agriculture	0%	6%	94%
Manufacturing	2%	14%	84%
Construction	26%	44%	30%
Retail & distribution	3%	60%	37%
Hotels & restaurants	9%	60%	30%
Transport & communications	0%	58%	42%
Financial & business services	62%	27%	11%
Public administration	9%	39%	52%
Education	26%	18%	55%
Health	35%	38%	27%
Other personal services	5%	65%	30%
All sectors	21%	39%	40%

Source: Perceptive Insight Market Research and Oxford Economics, survey of 600 employers in Northern Ireland undertaken in May 2009.

We found very little evidence of major differences in the way employers utilise migrant workers in relation to native workers in their organisations. In general, our survey evidence suggests migrant workers in Northern Ireland are not regularly employed in either more junior or more senior roles than their native-born counterparts: overall, almost three quarters (72 percent) of employers claimed migrants took on roles of similar responsibility to native workers, though the remainder were slightly more likely to employ migrants in more junior positions. A notable departure from the general pattern is the hospitality sector, where almost a half of employers (44 percent) admitted that migrants generally took on more junior roles, though this will likely reflect prevailing vacancies and shortages at the time of recruitment perhaps more than a deliberate recruitment policy.

Employers generally did not report that migrant workers are frequently employed below their actual skills or qualification level. Overall, 59 percent of organisations we surveyed claimed that migrants are not in jobs that require lower skills than they possess, while just 32 percent said they were. This potentially reflects a lack of knowledge of migrant qualifications by employers who are usually more concerned with their skills to do the job in hand, and we feel again that survey responses here may not reflect the true picture.

5.4 Working arrangements for migrants

In terms of general working arrangements, we again found little evidence of differences between migrant and native workers from the employer survey. Employers in NI report that migrant workers are, somewhat surprisingly, almost always employed on permanent contracts (86 percent of organisations claimed this was the norm – although the share is closer to two-thirds for agriculture and education), and that there is no difference in average hourly wage levels between natives and migrants. Of course, employers are unlikely to admit to any such discrepancy in wages (especially if wages being paid are below the minimum wage), though this finding is consistent with the survey response that migrants were generally not recruited to reduce overall employment costs.

Box 5-2: Impact of migrant workers in Northern Ireland on employment costs

“Workers have told friends and family members about their job, therefore advertising through word-of-mouth and we can recruit new staff easily”

“Absenteeism is very low and migrants have reduced this, therefore reduced costs”

“One migrant worker is better than three NI workers”

“They are prepared to work for a little above the minimum wage whereas local workers will not”

“Using less agency workers, helping to keep costs down”

Source: Oxford Economics employer consultations

Interestingly, employers did admit that in many cases migrant workers do help to keep employment costs down, though not through receiving lower wages than natives. As shown by the quotes from employers in the above box (all recorded from our consultations), word-of-mouth recruitment, low absenteeism and a strong work ethic all make a positive impact on employers’ bottom line. While in contrast to the popular image of widespread migrant recruitment through agencies, we found both from consultations and our survey that the opposite seems to be true: the availability of migrant workers through other channels has to a certain extent *reduced* the need for agencies which has helped to keep recruitment and employment costs down.

5.5 Difficulties employing migrants

Clearly from the evidence presented thus far, migrant workers make many positive contributions to the economy. However, they can also bring a number of challenges to employers, particularly in locations like Northern Ireland where there is no long history of experience in employing them. We have already noted the concerns raised by many employers over the extent of paperwork involved in applications for work permits and visas, and how many have become wary of employing non-EU nationals as a result.

Our survey also revealed significant (albeit predictable) levels of frustration with communication issues, with more than two thirds of organisations employing migrant workers in Northern Ireland reporting difficulties in this area – including as many as 82 percent in the hotels and catering sector. With the desire to learn English known to be a primary motivation for many recently-arrived migrants, particularly those from the A8 countries, this is seemingly an unavoidable problem, though it is interesting that it has not apparently proved severe enough to necessitate the provision of additional English language training to migrant workers by any more than 7 percent of employers. The true extent of the problem will perhaps be revealed as employers begin to receive more applications from native workers during the recession for who these communication difficulties will not apply.

6 Assessing the Impacts of Migrant Workers

Introduction

We now explore in more detail, using evidence from our LFS analysis, consultations and employer survey, the specific labour market, skill and wider economic impacts generated by migrant workers in Northern Ireland. These are then taken forward in Chapter 7 as we attempt to develop a holistic quantitative assessment of the *net* contribution of migrant workers to the NI economy.

Note LFS analysis is based exclusively on the definition of migrant workers as non-UK and non-ROI born.

6.1 Labour market impact

Displacement of native employment

One of the most controversial migration-related impact issues is that of so-called ‘displacement’ in the labour market – the extent to which migrants are employed at the direct expense of natives. As we explained in Chapter 4, genuine migrant displacement is less common during periods of buoyant economic growth and where migrants are ‘occupationally segregated’ from native workers (and especially when wage growth in these occupations is ‘tempered’ by migrant availability which otherwise may attract more natives to apply). In Northern Ireland, few consultees engaged on this study believed that significant displacement had occurred through the employment of migrant workers in their sector. Though of course anecdotal evidence is not the best indicator of trends in this complex area, especially as employers may wish to downplay any negative impact.

Our detailed LFS analysis is the most useful non-anecdotal and ‘official’ source of evidence on migrant displacement in Northern Ireland. However as we have previously noted this needs to be heavily caveated due to sampling issues and should be considered indicative only.

Our analysis for this study on displacement suggests that across some sectors in Northern Ireland – particularly manufacturing – native employment has declined at the same time as it has risen amongst migrants, hinting at some degree of native worker displacement.

That said, it should also be noted that from Oxford Economics’ replacement demand analysis from its NI future skill needs research, net turnover rates are traditionally higher anyway in manufacturing for a number of reasons, including retirement (due to an older age structure in some sub-sectors) and high net leaver rates to other sectors with more attractive working conditions. This means that the decline in native employment in manufacturing in sub-sectors such as food processing need not represent a migrant displacement effect.

Extending the same analysis to occupations (looking at migrant and native sectoral employment), we find that displacement appears to be evident in:

- Elementary administration and service occupations;
- Managerial positions in agriculture and services;
- Caring personal service occupations; and

- Customer service occupations

In elementary administration and service positions, migrant employment has increased by over 55 percent on average, compared to a decline in non-migrant employment of around 5 percent per year. On balance, this could suggest the strongest evidence of migrant workers displacing native employment in Northern Ireland, though it could of course also represent native workers ‘voluntarily’ moving up the skills and occupation ladder and high net turnover rates of native workers.

A key follow-up question therefore that needs to be considered is whether migrant displacement of native workers, if indeed it is genuine, is ‘voluntary’ or ‘involuntary’. Based on evidence from our consultations, it would seem that many native workers have indeed *chosen* to leave lower-skilled low-paid occupations rather than being forced out. This can be described as voluntary displacement, where there is a reduction in the number of native workers in a certain sector or occupation, who have departed independently of any pressures from migrant workers in that sector/occupation. Evidence on unemployment rates amongst native workers, which fell to around 3 percent and remained there even after the post-2004 influx in migrant labour, suggests that voluntary displacement has taken place in most cases.

Critically, however, the current recession is causing both greater competition for jobs between migrants and native workers and also a reduction in the ability of native workers to be selective, meaning that involuntary displacement is almost certain to be on the rise. As we previously illustrated in Chapter 2, unemployment rates in Northern Ireland have begun to rise significantly since 2008 and our LFS analysis has started to show a rise in native unemployment across all skill levels¹³.

Wage impacts

Our LFS analysis considered the impact of migrant workers in Northern Ireland on the average earnings of native UK and ROI-born workers¹⁴. In general, lower wage growth in migrant-dense sectors and occupations could suggest some suppression of wages as a result of the increase in migration.

Figures 6-1 and 6-2 show annual average growth in the earnings of non-migrants in migrant-dense areas of work (industries and occupations) compared to trends in earnings of non-migrants in the economy as a whole. The results show a mixed picture of wage growth in migrant-dense sectors and occupations:

- The average annual rate of wage growth over the period for the economy as a whole is 6 percent per annum;
- Apart from mining & quarrying and other services, each of the migrant-dense sectors recorded stronger growth than this average.

It is important to remember that the data being assessed relates to a period of unprecedented economic growth in Northern Ireland and that the three migrant-dense sectors in Figure 6-1 with wage growth most above the economy average (business services, hotels and restaurants and construction)

¹³ Unfortunately it is not possible to split NI claimant count data by ethnicity, as it is for GB, as according to DETI, the labour market system used in Jobcentre Plus offices in GB (to which ethnicity is linked to the JSA figures in GB) does not exist in NI.

¹⁴ Sample size constraints mean the analysis for sectors can only be performed at the most aggregated level.

enjoyed particular success in economic growth up to 2007. Underlying labour market tightness in these sectors would have been a factor driving up wage growth. Note due to breaks in methodology for DETI's Annual Survey of Hours and Earnings data, it is not possible to compare sectoral wage trends over time using ASHE data which would admittedly be more robust for earnings analysis than the LFS (though splitting ASHE data into migrant and native groups may not be possible in any case).

Figure 6-1: Annual wage inflation by migrant-dense sector, 2001-2008

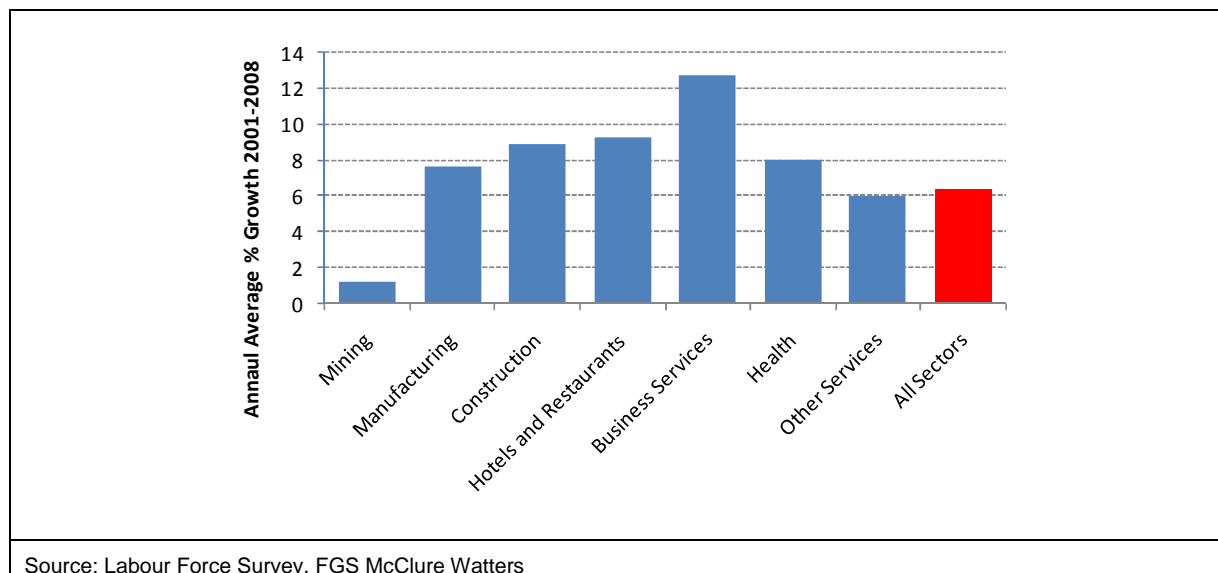


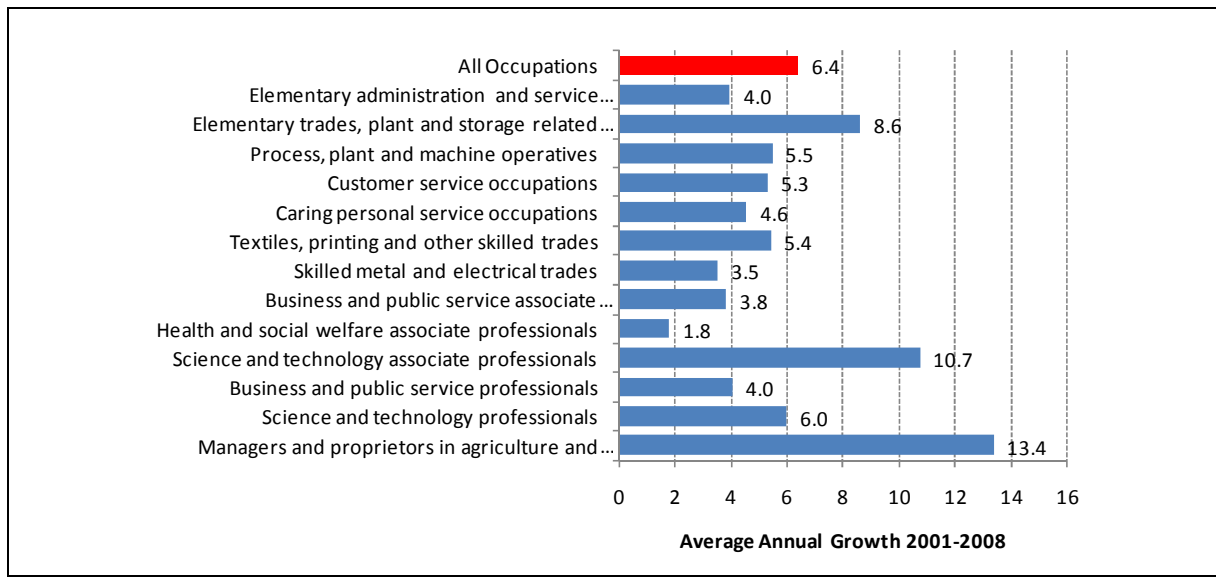
Figure 6-2 shows rates of wage inflation for migrant-dense occupations at the more detailed 2-digit level. Again the story is mixed, with faster rates of wage growth amongst some of the migrant-dense occupations – such as managers and proprietors in agriculture and services, science and technology associate professionals and elementary trades – and lower rates of growth in the remaining ten migrant-dense occupations. This perhaps suggests that broader sectoral analysis is not sufficiently detailed to pick up trends which appear more apparent in the two-digit occupation analysis.

Of the ten migrant-dense occupations where non-migrant wage growth is below the economy average, five are more than two percentage points below the average. These are:

- Business and public service professionals;
- Health and social welfare associate professionals;
- Business and public service associate professionals;
- Skilled metal and electrical trades;
- Caring personal service occupations.

Overall, however, there is no clear evidence to suggest that migrant workers have suppressed wage levels in Northern Ireland to any significant degree. In any case it is worth repeating again that LFS wage analysis of this type and any resulting conclusions must always be heavily caveated because of sampling issues.

Figure 6-2: Annual average wage inflation by migrant-dense 2-digit occupation, 2001-2008



Source: Labour Force Survey, FGS McClure Watters

Impact of migration on Northern Ireland’s inactivity problem

We have already discussed how the employment of migrant workers can sometimes lead to the withdrawal from the labour market of native workers through so-called ‘discouragement’ effects (or discourage persons not currently active from becoming economically active).

It is well known that Northern Ireland has a longstanding problem of high economic inactivity which the ‘golden era’ has failed to alter significantly. There remain deeply entrenched pockets of inactivity in many urban areas, often linked strongly to social deprivation (but also the result of ‘benefit trap’ problems), which have been bypassed by NI’s economic growth.

Overall, we have not uncovered compelling evidence during the course of this study to suggest that the impact of accelerating inflows of migrant workers in NI has been to worsen the inactivity problem. The level of economic inactivity, according to raw LFS data, has hovered between 26 and 29 per cent of the working age population between 1995 and 2004¹⁵, and if anything has decreased slightly since the accession of the A8 in 2004 according to the data.

On balance, migrant workers have in recent years taken jobs that were not sufficiently appealing to economically inactive natives, as evidenced by the strong suggestion by more than three quarters of employers in our survey that their most valuable function has been to fill labour shortages. Clearly, however, there is the potential for the arrival and relative success of migrant workers to form an additional psychological hurdle to the inactive, in the form of a perceived increase in the competition for jobs appearing to place them even further from the labour market. Furthermore, migrants in future will almost certainly compete to a greater extent with the growing pool of native unemployed and education leavers.

¹⁵ Even subtracting students and the early retired from the inactive total does not show a fall in the overall level of economic inactivity between 1995 and 2004

Conversely, it may have been hoped that the famed ‘work ethic’ of many migrants could serve as a source of motivation to the unemployed or disengaged native population. Through ‘positive spillover’ effects, migrants may also have been expected to deliver a positive impact on the productivity of the natives they work alongside – these effects have long been demonstrated to be most potent through informal, on-the-job interaction. Measuring either of these effects is extremely difficult and was not an objective of this study. Nevertheless, it would be remiss of us not to acknowledge the likelihood that they will have occurred to some degree, especially as Government’s PSA1 target is aimed at closing the private sector productivity gap and the role of migrants in contributing to this is an interesting if largely overlooked issue for debate and policy action.

Occupational segregation

Perhaps the most notable feature of the recent academic literature on migrant workers in the UK and particularly the Republic of Ireland is the focus on so-called ‘occupational segregation’ – the tendency for migrants to be employed in a very different section of the labour market to native workers and to therefore create minimal displacement effects (our review in Chapter 4 explained and evidenced the concept in some detail). Evidence from Northern Ireland indicates a similar pattern, with employer reports of acute labour shortages again supporting the assertion that migrants and natives have not generally competed for jobs. Also migrants have been employed in jobs that did not previously exist in NI such as selling newspapers at major road junctions.

The current recession is likely to reverse this trend of ‘occupational segregation’ to some degree, with a strong pick-up of native interest in positions in hospitality and retail clearly evident from mid-2008, according to our consultations with NI employers. In more physical occupations in sectors such as food processing, it remains to be seen to what extent migrant workers will see new competition for their jobs – on balance, we would probably consider this unlikely given the deep-rooted effects of societal norms in defining the boundaries of ‘acceptable’ work and the continuing generous benefits system. Competition may actually turn out to be higher between migrants themselves (those who lose their jobs during the recession but remain in NI versus new migrants). There is already anecdotal evidence of Polish workers competing against Portuguese migrants for jobs in the food processing industry.

In the longer-term, as the economy expands, ‘occupational segregation’ would appear likely to rise once more, again increasing levels of migrant-dependence in certain sectors unless there is a radical overhaul of the benefits systems which puts pressure on the indigenous inactive to look for work.

6.2 Skills and training impact

The evidence from our study points to a clear and unequivocal message from Northern Ireland employers that migrant workers have ‘filled a void’ in labour supply, particularly in sectors such as hospitality, health, food processing and construction over the recent period of strong economic expansion. There is some view that this void appeared primarily because native workers had become much more selective in their choice of employment. Nevertheless, though far fewer employers in our survey reported that migrants had helped to fill specific skill shortages, still almost a half of them did (46 percent, although only one quarter reported ‘to a large extent’). This demonstrates that migrant workers have in some cases – if not generally those from the A8 – brought much-needed skills to bolster the NI economy. The share of employers reporting that migrants had filled skill shortages was highest in health, education and financial & business services.

The most common types of training provided by Northern Ireland employers to migrant workers generally appear to be either the ‘basic minimum’ required for job performance or that required by law. Of the 600 employers we surveyed, 82 percent claim to provide on-the-job training to migrant workers, 72 percent general induction training and 65 percent health and safety training, though just 13 percent provide any external training opportunities to migrants. Nevertheless, almost all firms (93 percent) stated this was the same level of training as provided to native employees, and the relative lack of higher or external training probably reflects the low-skilled nature of much of the work as well as higher rates of labour turnover reducing the incentives for investing in workforce development (which has long-term ramifications).

Impact on training opportunities for native workers

Few employers report evidence that migrant workers have provided knock-on opportunities for native workers in terms of training and development. Overall, 92 percent of organisations report no change in levels of training provision since they began to employ migrants, though the remaining 8 percent claim that across-the-board training opportunities to all workers have increased. This hints at a modest indirect impact of migrant workers in Northern Ireland, though hardly one delivering large economic benefits. **In fact, another survey question reveals that migrant availability may in fact have reduced training provision for native workers: on average, a quarter of employers admit that if migrants had not been available, they would have invested more in training the existing workforce.** This is potentially supported by data from the Labour Force Survey, which shows that since the inflow of migrant workers to NI accelerated sharply in 2004, the proportion of employees receiving recent work-related training has declined from an average of around 14 percent to less than 10 percent. The broad downward trend is mirrored in the rest of the UK, though to much more modest extent: NI’s ‘training deficit’ (i.e. the extent to which training provision lags behind other UK regions) has widened fairly sharply since 2004, with the availability of migrant workers on an unprecedented scale being one possible explanation for this.

The skills ladder

The impact of migrant workers filling many of the lowest-skilled roles in the economy would appear, on the surface, to be to allow native workers to progress upwards on the ‘skills ladder’ and take higher-value jobs, thereby enjoying better training opportunities in the process. However, although this may well have been an observable trend during the past decade of growth, there is relatively little evidence to suggest it has been driven primarily by migrant workers. The key question, which is extremely difficult to answer, is whether migrants, by willingly taking lower-skilled roles, have indirectly sustained or created the higher-skilled roles to which many native workers have recently moved.

Possible concerns

Our review of evidence has uncovered two specific concerns on the issue of skills and training that have potentially been created or augmented by the availability of migrant workers. These are:

- Firstly, the view from a small number of sectors, particularly construction which is traditionally dependent on the ‘apprenticeship’ training path, that **the availability of migrant workers has ‘masked’ potential areas for improvement in Northern Ireland’s (and indeed the UK’s) vocational training system.** There were strong anecdotal reports of reduced opportunity for young people in Northern Ireland, a need for training system reform, and a

growing dependence upon migrant workers that could leave industries vulnerable to a sudden outflow (for example think of the risk posed to construction employment opportunities in London for the 2012 Olympics). Whilst we agree with the general sentiment here it is important to recognise the dual obligation involved: specifically, if the optimal role of the public sector is to provide a ‘demand-led’ labour force skilled to meet the needs of employers, then employers need to take some responsibility for the career opportunities – or lack of them – they are providing to young people. We would urge dialogue between the public and private sectors to develop a solution to this problem and discuss the ‘cause and effect’ chain in more detail.

- Secondly, the suggestion that the very high ‘churn’ rate of migrants in particular sectors, such as food processing, has **reduced the potential for upward progression and on-the-job training from entry-level positions towards middle-tier supervisory level roles**. The implication is that a skills gap is being created in these semi-specialised, more experienced roles, potentially threatening sectors and occupations where external training and qualifications do not provide an adequate substitute for on-the-job progression.

Overall, though migrant workers have in some cases brought valuable skills to the NI economy, in general there is quite compelling evidence that they have filled lower-skilled roles – often well below their own qualification level – and received very little capacity-building training during their employment. The balance of evidence does appear to suggest that **the overall skills impact of migrant workers on the NI economy could be a negative one**, both through crowding out opportunities for native workers that may otherwise have needed to be up-skilled and through masking longer-term concerns about vocational training paths for young people in the skilled trades.

6.3 Firm impact

The most important impacts of migrant workers on firms in Northern Ireland are likely to have been felt in terms of both survival and performance. At the most extreme level, there seems to be clear evidence from consultations and our employer survey that certain sub-sectors – most notably food processing – could well have all but disappeared from Northern Ireland without migrant workers to fill their acute labour shortages (30 per cent of food processing firms said they would have closed had migrants not been available).

It certainly does not appear to be a myth that native workers no longer wanted certain types of manual, low-skilled jobs, and this is further evidenced by the ongoing efforts of the food processing sector in NI to place specific migrant-intensive occupations, such as meat boning and trimming, on the Migration Advisory Committee’s national shortage list¹⁶.

There are slightly mixed messages from employers in our survey on the performance impact of migrant workers. More than 40 percent stated that the on-the-job performance of migrants was of a higher standard to native workers (including around 50 percent in hospitality), and more than 55 percent claimed migrants were more reliable (again including a higher 65 percent in hospitality). However, for whatever reason, **few employers seemed willing to admit that migrants’ superior job performance translated into higher firm-level productivity or profitability**: overall, 80 percent said migrant workers made no difference to profitability, and 71 percent claimed they made no impact

¹⁶ We received information about these determined efforts during our consultation with a MAC academic representative.

on total productivity (Table 6-1). This is somewhat puzzling, and though it probably reflects in part the relatively low-value, 'scripted' nature of many migrant jobs, in our view it may also reflect reluctance on the part of employers to admit to the true impact of foreign-born workers (or a misunderstanding of productivity).

Figure 6-3: Rating of migrant workers by Northern Ireland employers

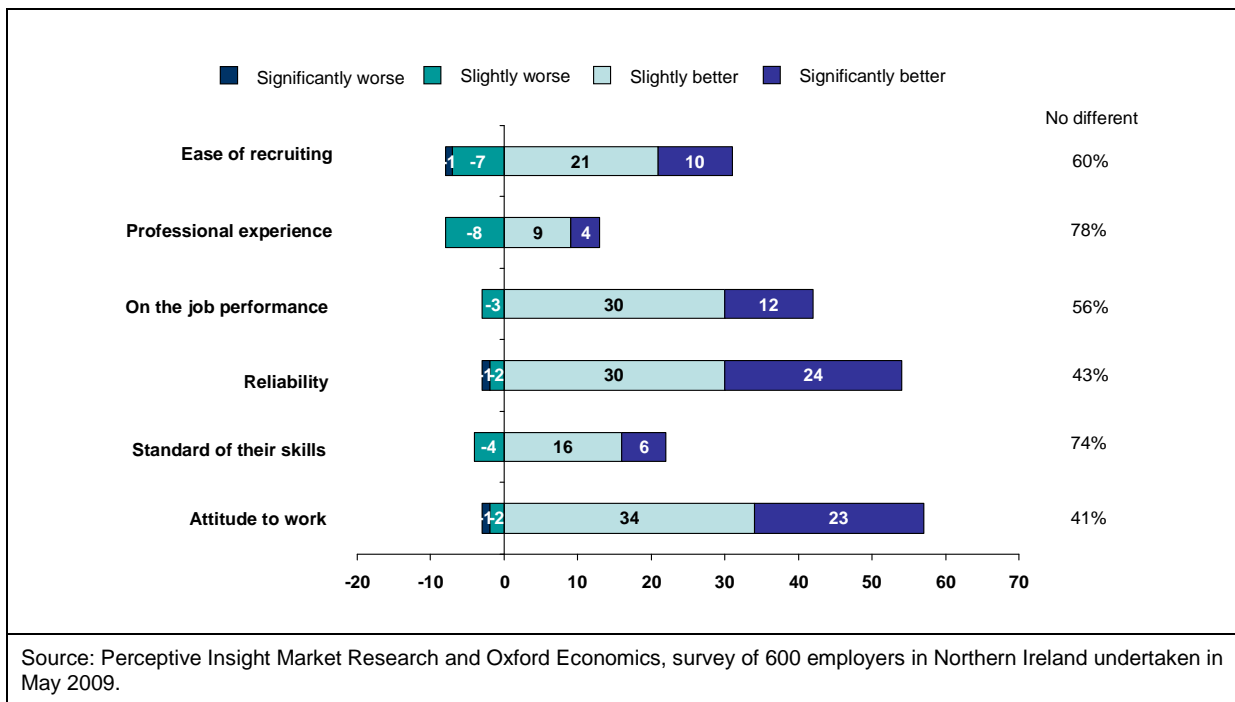


Table 6-1: Productivity impacts of migrant workers on Northern Ireland employers

	Productivity impact					
	Decreased productivity a lot	Decreased productivity a little	Made no change to productivity	Increased productivity a little	Increased productivity a lot	Don't know/not sure
Agriculture	0%	0%	63%	21%	16%	0%
Manufacturing	0%	1%	59%	33%	6%	1%
Construction	0%	0%	66%	24%	4%	6%
Retail & distribution	0%	0%	76%	22%	2%	0%
Hotels & restaurants	0%	0%	74%	21%	4%	1%
Transport & communications	0%	0%	42%	38%	13%	8%
Financial & business services	0%	0%	78%	19%	4%	0%
Public administration	0%	0%	88%	0%	13%	0%
Education	0%	0%	83%	17%	0%	0%
Health	0%	0%	96%	4%	0%	0%
Other personal services	0%	0%	100%	0%	0%	0%
All sectors	0%	0%	71%	22%	5%	2%

Source: Perceptive Insight Market Research and Oxford Economics, survey of 600 employers in Northern Ireland undertaken in May 2009.

A stronger indication of migrant worker impacts can be provided by investigating employer perceptions of their role in helping organisations to survive and prosper. On average, fully 31 percent of employers said migrants had been 'important' for their organisation's survival, including more than 50 percent in health and social care and in agriculture (Table 6-2). These figures are quite startling, and perhaps put the previously noted responses to questions on productivity into some kind of perspective.

Table 6-2: Views of Northern Ireland employers on migrant workers' importance for firm survival

	Important for survival		
	Yes	No	Don't know / not sure
Agriculture	53%	42%	5%
Manufacturing	40%	54%	6%
Construction	21%	74%	5%
Retail & distribution	17%	81%	2%
Hotels & restaurants	39%	56%	5%
Transport & communications	33%	67%	0%
Financial & business services	15%	81%	4%
Public administration	0%	100%	0%
Education	33%	61%	6%
Health	56%	34%	10%
Other personal services	20%	70%	10%
All sectors	31%	64%	5%

Source: Perceptive Insight Market Research and Oxford Economics, survey of 600 employers in Northern Ireland undertaken in May 2009.

Despite their strong work ethic and frequently high level of qualifications, from our survey and consultations it seems that in general, migrant workers do not contribute to the general running of their organisations (for example through basic sales or marketing advice) or even seek to achieve promotions. This strongly supports the idea of a short-term focus for many migrant workers, though nevertheless hints at significant 'untapped potential' in the way migrants are utilised by employers.

6.4 Wider economy impact

There is a view, with which on balance we would probably concur, that the rapid job creation seen in Northern Ireland between 2004 and 2008 could not have occurred without the supply of migrant workers, particularly from the A8 countries. **Whether migrants *facilitated* higher growth, by filling labour and skill shortages, or actively helped to *drive* growth via retail spending, increased construction of new housing and driving up house prices (which boosted confidence and personal wealth), is less clear.** It is likely that they contributed through a combination of the two, perhaps playing a more critical role in the former than the latter.

Besides contributing directly and indirectly to economic growth, migrant workers also bring important wider benefits (sometimes referred to as 'catalytic effects') to their host countries. In Northern Ireland, these will have included:

- Benefits to the tourism industry through the development of new air routes;
- Positive spillover effects on the productivity or efficiency of native workers;
- Bringing new ideas and a fresh approach to firms; and
- Greater cultural links with developing nations that will prove useful in growing international trade.

At a macroeconomic level there is also the benefit of migrants easing general inflation pressures via wage effects, and similarly improving cost competitiveness. It is important to note that across the Eurozone there have been divergent trends in real effective exchange rates (a proxy for external competitiveness) because while each member faces the same nominal exchange rate trends, some, like Germany, have experienced much lower increases in unit wage costs and thereby have become more competitive (and which is borne out in its trade performance relative to other Eurozone members such as Italy, Spain and ROI).

Though this study does not seek to investigate the social impacts of migration to Northern Ireland – there are already several wide-ranging existing studies on the topic – it would be remiss not to acknowledge the potential challenges to community cohesion generated by the arrival of significant numbers of migrant workers. Since social impacts are often the product of economic circumstances, there is a clear potential link between rising levels of in-migration, increased competition for scarce resources and adverse effects on local communities, particularly in those areas where migrant workers, as a proportion of the total labour force, have increased significantly in a relatively short space of time. Disturbing events in Belfast, where many Romanian migrants were forced to return home following an outbreak of violence against them in June 2009, and nationwide demonstrations by workers in the oil and gas sector over the use of migrants at the expense of British workers, represent two high-profile manifestations of this threat.

Clearly, economic reality dictates that where migrants are perceived to deliver higher productivity than native workers (for the same wage level), employers cannot be expected to show any inherent preference for the latter. With this in mind, tensions may be expected to continue to escalate in parallel to any decline in overall employment prospects as the recession continues.

Converting gross to net impacts

We have so far identified a number of important impacts migrant workers appear to have made on the Northern Ireland economy. There is a need, however, to understand the links between the various *gross* impacts already explained and the resulting *net* impacts they combine to deliver. We have already discussed displacement – one important influence on the overall net economic impacts of migrant workers – in some detail. There are also further issues to consider. In the next section of the report we quantify the genuine *net additional* impact of migrant workers on the economy, in order to answer the question of what the economic outcome might have been in the absence of some or all of the migrant workers.

7 Modelling the Overall *Net* Impact of Migrant Workers

Introduction

The purpose of this chapter is to bring together evidence from the various phases of this research - business survey, literature, LFS analysis and consultations - to holistically quantify the *net* economic impact of migrant workers on the NI economy, or alternatively the *net* economic contribution of migrants. This chapter is **specifically concerned with the impact of post-2004 / post-accession migrant workers**, although impact estimates for pre-2004 migrant workers and all migrant workers are also provided. Note also given the uncertainty over some of the key modelling assumptions, including the actual number of post-2004 migrant workers, we present at the end of the chapter upper and lower bound impact estimates.

7.1 *Net* impact

The term *net* in this chapter is important. The aim of the analysis here is to consider the *gross* contribution of migrant workers alongside displacement, wage and deadweight effects to quantify both the positive and negative impacts of migrant workers as best as possible. This is in order to arrive at an overall *net* effect / contribution. It is however beyond the scope of this research to take the analysis one step further and quantify the wider catalytic impacts described in the previous chapter.

The *net* economic impact of migrant workers could be assessed over time and cumulatively but really the relevant issue is estimating the 'relative' *net* impact. This is best done for a single year as this allows an assessment of the proportionate contribution of migrant workers (pre and post-2004 migrants) to overall employment and GVA (other impact metrics such as tax contributions and fiscal costs are outside the scope of this research but may be of interest to DFP and DSD). 2008 is selected as our benchmark year given it is the latest period most required data is available (included very recently published mid-year population and migration data). Estimates for the *net* impact of migrant workers in 2009 could of course be quite different.

As re-iterated throughout this report, it is important to recognise that the conclusions from this *net* impact analysis must be considered in the context of how the NI economy was performing in 2008. Although the ROI economy was officially in recession in the first two quarters of 2008, for NI the downturn arrived later in the year - though earlier on for construction. Therefore 2008, especially when taking mid-year figures, was still a relatively buoyant period for the NI economy.

With the local economy since hitting trouble late in 2008 (as shown previously by employee job and claimant unemployment trends) and predicted to remain in trouble throughout 2009, the *net* economic benefit of employing the same number of migrant workers at their peak during and post-recession (if this is what the actual outcome is) would be quite different (and much less positive) than reported in this chapter. This is because the migrant displacement effect would be much larger than assumed here. There are already, and will be more in future, native unemployed working age persons available, qualified and willing to work in a greater range occupations and possibly at lower rates of pay than during the economy's 'golden era', as well as a large stock of education leavers not in employment (and thereby competing for jobs directly with migrants). As described already in the report, this would be in stark contrast to the end of the NI 'golden era' economic period when native unemployment was at an historic low, with many of the inactive population not responding to labour shortages, so migrants were by and large the only source of available and willing labour for certain occupations.

Whilst assessing the economic contribution of migrants today in the middle of the recession is important, it is not the question specifically asked of the research given the timing of when the study commenced (January 2009) and how questions were framed in the business survey – they were more aimed at employers’ views on recruiting migrant workers and the labour market when the economy was in a healthier state. In addition, all of the necessary data is not yet available to quantify the *net* impact of migrant workers today, plus we are still in the middle of the recession and it would be advisable to delay any analysis until the end of the recession. One of the recommendations of this research is to re-visit the *net* impact of migrant workers on the NI economy in one year’s time or when the recession ends and when necessary data becomes available. However if the recession is prolonged and competition between migrant and native workers intensifies, DEL may wish to re-visit the analysis at various times during the recession.

7.2 Steps to quantify the *net* impact

This chapter summarises the structured approach taken to arrive at *net* impact results for migrant workers in the NI economy. The individual steps are summarised below, which form the basis for the structure of the chapter:

1. Establishing the total and working age (pre and post-2004) non-UK and non-ROI born population stock in NI and employment stock (building on / utilising stock estimates / analysis from chapter 3)
2. Assessing the distribution of pre and post-2004 migrant employment across the main SIC categories (utilising and adding to analysis from chapter 3)
3. Making assumptions on migrant sectoral productivity to arrive at an aggregate migrant direct contribution to GVA
4. Estimating the indirect (supply chain linkage) and induced (household spending and population secondary effects) impact of migrant workers and their dependents

Up to this point the analysis is entirely focused on the *gross* economic impact of migrant workers. The next stages attempt to quantify key additionality considerations to arrive at a *net* impact result. Note these considerations are in line with the HM Treasury Green Book guidance.

5. Quantifying the displacement effect of employed migrant workers on employment opportunities / labour market outcomes for the native working age population (drawing and adding to evidence from earlier chapters)
6. Accounting for the wage impact on sectors employing migrants and the wider economy (again drawing and adding to evidence from earlier chapters)
7. Exploring the deadweight effect, that is the outcome if migrant workers had not been available to employers in Northern Ireland (specifically utilising firm impact analysis in section 6.3, this covers both positive and negative deadweight effects)

Stages 1 to 7 therefore permit as robust and as credible an estimation of the *net* economic contribution or impact of migrant workers in NI in 2008 as is possible with available information. Contributions are measured in terms of both employment (people-based as opposed to jobs) and GVA (wages and profits).

The major caveat to the above statement on robustness however is the actual uncertainty over the starting point of the analysis – knowing with confidence the precise size of the migrant (non-UK and non-ROI foreign born) total population and employed stock (pre and post-2004). As this and chapter 3 show, this is due to migration data challenges (particularly the quantum of migrant outflows) and the potential range of migrant population and worker estimates - plus it is difficult to know which of the lower or upper bound estimates are more accurate (though actually reporting the scale of potential differences we believe is useful information). For this reason the main analysis presented in this report is based on a mid-point of migrant population and employment estimates (see later). However at the end of the chapter we present upper and lower bound impact estimates based not only on upper and lower bound migrant employment levels, but also upper and lower bound assumptions for additionality.

7.3 Establishing the migrant total and working age population and employment stock

The starting point for the impact analysis, as explained above, is establishing the current migrant (non-UK and ROI foreign born) total and working age population stock in 2008, for both pre and post-2004 migrants. Note many studies would go straight to estimating the number of migrant workers. We do not as we need an estimate of the number of migrant dependents to calculate the induced effect on public sector employment (see later). Also for labour market accounting and demographic analysis it is useful to know what migrant unemployment levels / rates are (this would matter for fiscal analysis) and the age structure of the migrant population.

Evidence thus far in the report has presented the following results for NI for both migrant total population and employed stock:

- **ONS (2007/08)** - in 2007/08 ONS reported that NI had 3 percent of the UK A8 population and 1 percent of the UK other country of birth migrant population (including ROI). Based on these figures, A8 migrants would account for 1.2 percent of the total NI population (approximately 21,000). This is low compared to other estimates
- **NISRA (2007)** – NISRA estimated the A8 population stock in 2007 to be 30,000. This is equivalent to 1.7 percent of the total NI population so considerably higher than ONS estimates
- **Oxford Economics research for DCLG (early 2009)** - using a methodology broadly comparable to that used in a 2008 'migrant mapping' report by the Institute for Public Policy Research (Pollard *et al*, 2008), Oxford Economics estimated that NI has one of the highest shares of so-called 'new' migrants (defined as post-2004 arrivals from all EU countries) within its workforce of any UK region. In early 2009 Oxford Economics estimated there were around 55,000 foreign-born workers in NI, including just over 19,000 from the so-called 'A8+2' accession countries (the latter figure is broadly consistent with NISRA estimates – we would expect the 2009 stock to be lower given the slowdown in the economy between 2007 and 2009 and data on WRS applications, plus it refers to workers, not total population. Still implied shares for the working age stock and employment rate appear to be in the right 'ballpark'). The balance is made up of: rest of EU post-2004 (5,700); rest of world post-2004 (13,500); pre-2004 migrants (16,400).

Note that as we stated earlier, the figure of 55,000 appears high but it must be remembered that this includes ROI-born workers who are excluded from the DEL Migrant Worker Thematic Sub-Group definition. The 2001 Census revealed there were 14,000 ROI-born resident employed

persons in NI. Deducting this figure (which may have risen since – cumulative net in-migration from ROI into NI has been 600 between 2001 and 2008 according to NISRA data, though much of this may be students), would give a figure of 41,000 for the total non-UK and non-ROI born migrant stock of workers.

- **LFS** - as described previously, the LFS, especially for NI, is subject to major sampling issues. According to NISRA the LFS confidence interval for NI is +/- 7,000 persons. Furthermore in relation to migrants, the LFS is unlikely to fully account for all newer migrant workers who either work seasonally or spend significant amounts of time in temporary accommodation with friends or family. For migrants arriving before 2004, LFS estimates though should be more credible - a broad average of 16,000 'pre-2004' migrant workers is suggested across the period 2005-2008 which is consistent with Oxford Economics' estimates for DCLG of 16,400. The total non-UK and non-ROI born migrant employment stock figure from the LFS for 2008, including pre and post-2004 migrants, is 37,000 (2008).

One final additional source / approach to estimating migrant total population stocks is to use the 2001 Census and NISRA annual migration inflows and outflows data by destination and origin countries. This approach was highlighted earlier but is described in more detail below.

- **Census and NISRA annual migration flows** - the most reliable source of data on the migrant population stock is without question the Census. According to the 2001 Census results, the total non-UK and ROI-foreign born resident population living in NI was just over 27,000 (Figure 7-1). Analysed by country / region of birth, roughly half were born in North America, Germany, other Western Europe and Australia & New Zealand. The remaining half was largely spread across Asia and Africa. Of note is the small figure (720) of persons born in Eastern Europe (according to NISRA the A8-born population stock was 250 in 2001) although it must also be remembered that 2001 was pre-accession and not all that long after the collapse of communism. Analysed by age structure, Figure 7-2 shows that almost three-quarters of the non-UK and non-ROI born population was of working age.

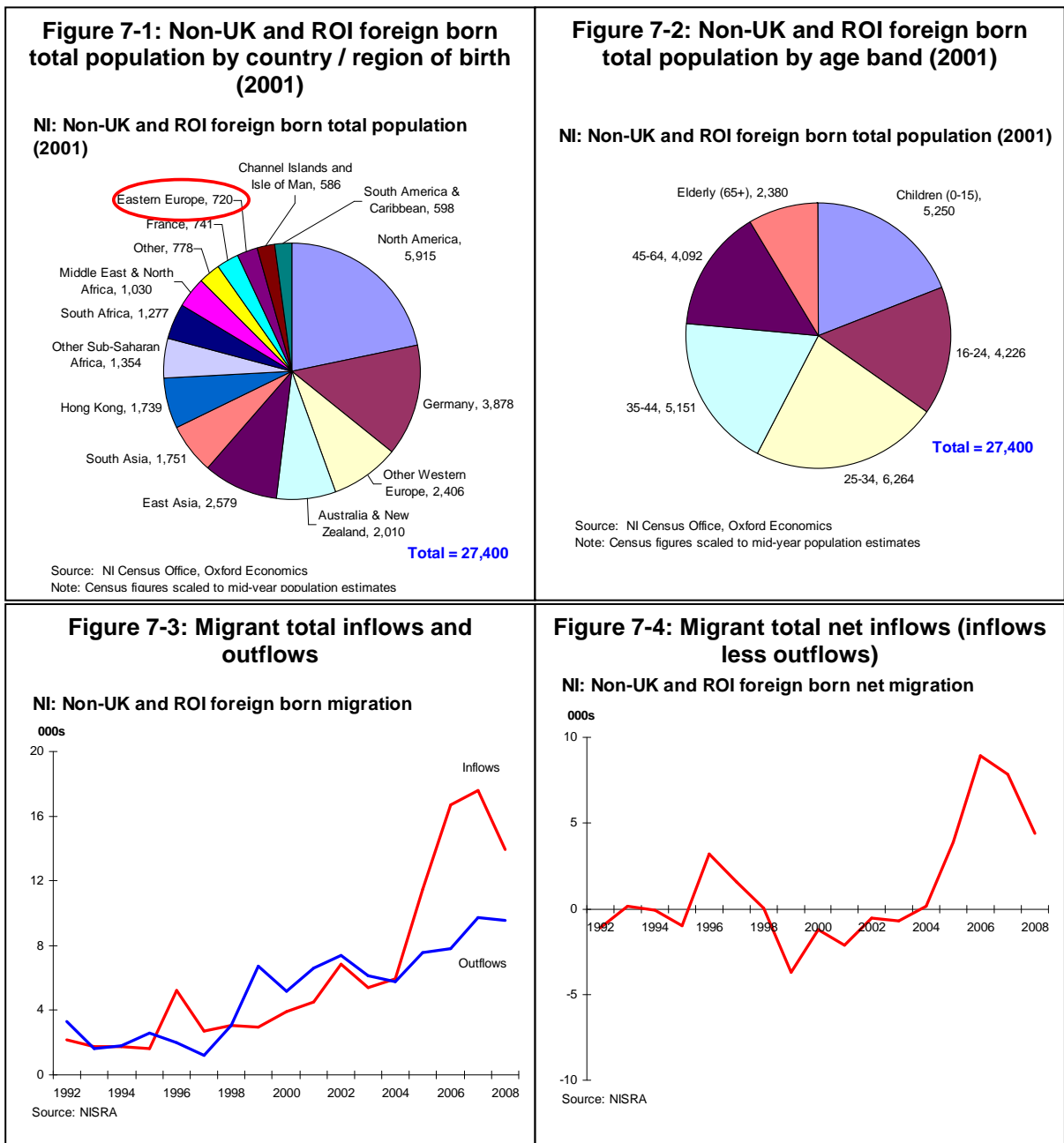
The drawback of the Census is of course its timeliness. It is now 8 years out-of-date and the A8 and to a much lesser degree A2 accession of Eastern European countries into the EU that occurred after 2001 has resulted in without question NI's largest demographic shock in its recent history. However as a starting point for estimating current migrant population stock figures, it is widely regarded as much more reliable than the LFS equivalent figure for 2001.¹⁷

Using the Census then as a reliable starting point, the 2001 figure can be extrapolated using LFS figures or NISRA annual migration flow data. The latter, which we consider as being or should be more robust, is available for inflows and outflows from 1992-2008 split by UK, ROI and rest of world destination and origin. It is important to caveat that migration inflows from the rest of the world do not necessarily read directly across to mean solely RoW-born persons – it could also include NI-born persons returning from a spell living overseas (either working, studying or retired). The same reasoning applies to outflows. We do however believe that inflows from and outflows to the rest of the

¹⁷ The LFS is generally considered to under-estimate migrant figures by 15-20% (based on LFS versus Census comparisons) and indeed for NI the differential in 2001 is 22%. In addition the LFS for NI, more than other regions, has the drawback of having a smaller sample size – and unweighted sample sizes for the non-UK and ROI born population, on which LFS migrant population estimates are based, are very small.

world will largely refer to non-UK and non-ROI born persons¹⁸ (we also believe the inflows and outflows of UK-born persons from / to outside UK and ROI will not have changed significantly in recent years given there has been little change at overall UK level as presented in chapter 3).

Figures 7-3 and 7-4 present trends in the NI inflows from and outflows to the rest of the world which we assume are close proxies for annual non-UK and non-ROI born migration patterns. They show, as expected, a positive net migration inflow post-2004 following a historic trend of relative balance between inflows and outflows. The result of cumulatively adding net inflows from Figure 7-4 to the Census stock figure of 27,000 in 2001 (plus subtracting estimated migrant deaths using age structure and death rates data) is an estimate for the total non-UK and ROI born migrant population stock in 2008 of 50,000.



¹⁸ The greater risk to this assumption is probably on outflows which can include NI natives retiring to sunnier climates such as Spain

A summary of the various migrant total population stock estimates is presented in Table 7-1 below. For the total non-UK and ROI-born migrant population stock, estimates range from 50,000-59,000. Assuming the NISRA A8 stock figures of 30,000 is broadly accurate, we believe the lower range estimate of 50,000 is on the low side as this would imply the non-A8 migrant population stock would have fallen from 27,000 in 2001 to 20,000 in 2007 / 2008. LFS data, although far from robust, would not suggest a fall on this scale. This therefore indicates potential under-estimation by NISRA of inflows from outside the UK and ROI or over-estimation of outflows, or alternatively a problem with our assumption that inflows from and outflows to the rest of the world largely refer to non-UK and non-ROI born persons.

For the purposes of this analysis, we assume migrant population (and employment) stock estimates to be approximate mid-points of the above range. Hence for the non-UK and non-ROI-born migrant population stock, this is approximately 56,000, split between 30,000 post-2004 migrants and 26,000 pre-2004 migrants.

Table 7-1: Summary of alternative NI migrant total population stock estimates

Source	ONS	NISRA	LFS (FGS)	Oxford Economics 1 (DCLG)	Oxford Economics 2 (Census / NISRA)
Definition	A8 only	A8 only	Total non-UK and ROI born	-	Total non-UK and ROI born
Methodology	APS		LFS	-	Census 2001 + NISRA net inflows from RoW + migrant deaths
Year	2007/08	2007	2008 Q4	-	2008
Total migrant population stock estimate	21,000	30,000	59,000	-	50,200

Source: Various

Table 7-2 next presents a summary of the various migrant employment stock estimates. For the Census / NISRA approach, the employed stock is calculated by first estimating the working age migrant stock (using Census age structure data and total NI migration age band flows), the Census migrant employment level, and extrapolating the 2001 Census migrant working age employment rate using LFS trends.

As shown in Table 7-2, the total non-UK and ROI-born employment stock estimates range from 33,000-41,000. As the Census / NISRA approach likely under-estimates the total migrant population stock, it will automatically, by how it is calculated, under-estimate migrant employment. So again the lower range estimate is probably an under-estimate of migrant employment.

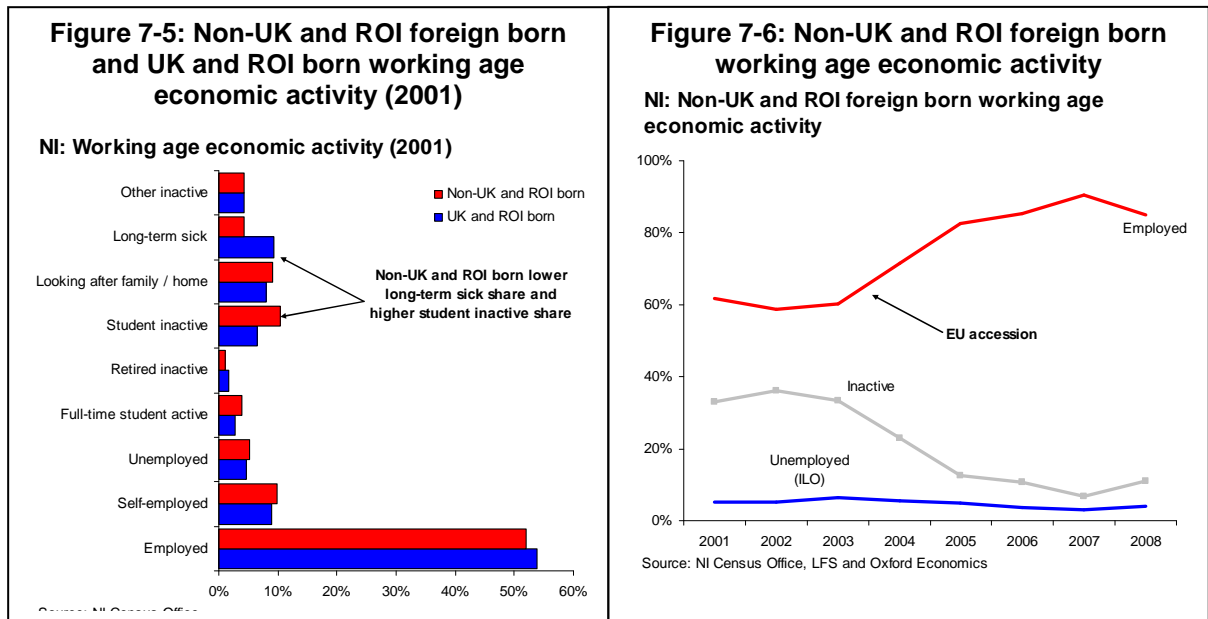
Table 7-2: Summary of alternative NI migrant employment stock estimates

Source	ONS	NISRA	LFS (FGS)	Oxford Economics 1 (DCLG)	Oxford Economics 2 (Census / NISRA)
Definition	-	-	Total non-UK and ROI born	Non-UK born	Total non-UK and ROI born
Methodology	-	-	LFS	IPPR	See total population methodology, plus Census migrant employment level / rate and migrant LFS employment rate trends
Year	-	-	2008 Q4	Early 2009	2008
Total migrant employment stock estimate	-	-	36,600	55,000 (o/w 19,000 A8+2) Total non-UK and ROI born approx. 41,000	33,300

Source: Various

Before moving on to the sectoral distribution of migrant employment, it is worth briefly looking at migrant economic activity rates and trends as this reveals some useful information. According to the 2001 Census, migrant and native working age economic activity patterns were broadly similar with equivalent rates of employment, self-employment and unemployment. The only noticeable but important differences were in the student inactive and long-term sick categories (Fig 7-5). Migrants were much less likely to classify themselves as long-term sick, though this will partly be explained by the younger age structure of the migrant working age population even back in 2001 compared to the native working age population.

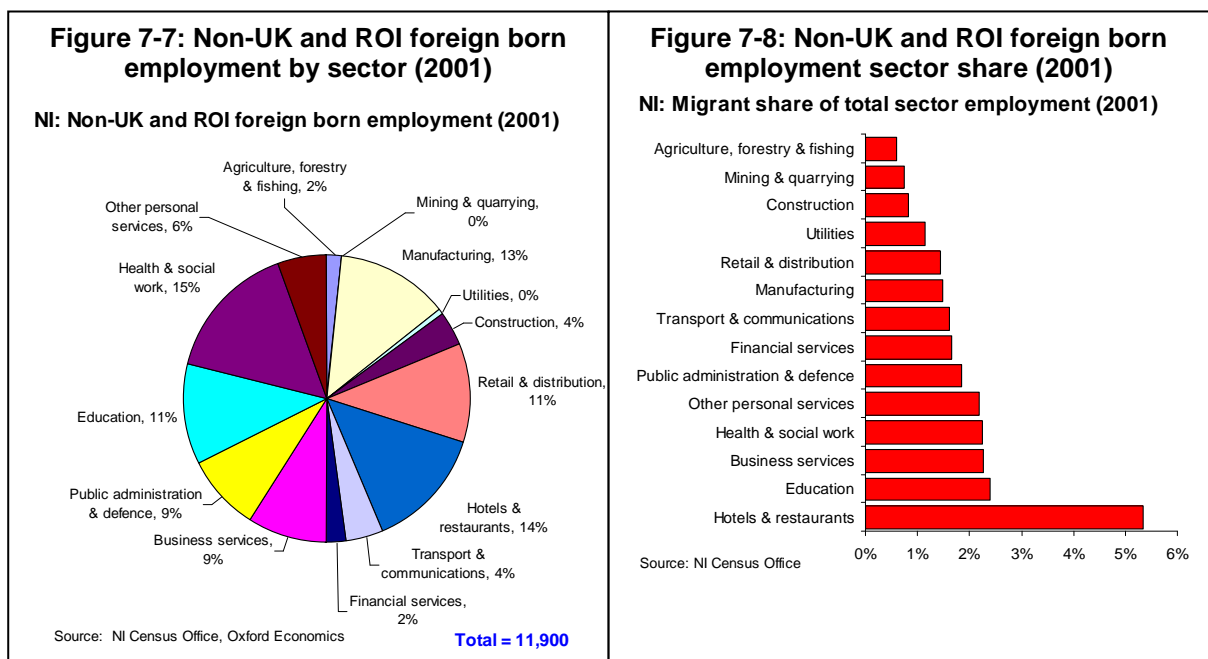
Looking at trends, the arrival of A8 migrants has significantly changed the economic activity status of working age migrants in NI. With almost all A8 migrants finding employment immediately or shortly after arrival (and many coming for the sole purpose of working and as single persons), this, combined with the scale of A8 inflows relative to pre-2004 migrant employment levels, resulted in a sharp upturn in the total migrant working age employment rate from 60 percent in 2003 to over 80 percent in 2007 and 2008. Note this is a particularly large change but perhaps not completely unexpected as many recent A8 migrants have been male and aged under 30 – the indigenous male population of equivalent age typically has a similarly high employment rate, at least pre-recession.



7.4 Migrant sectoral employment

Figure 7-7 presents migrant sectoral employment in the 2001 Census year and shows migrants were employed across a range of sectors. The main employment sectors were health, hotels & restaurants, manufacturing, education, public administration and business services (the latter includes labour recruitment jobs which will have been across various sectors).

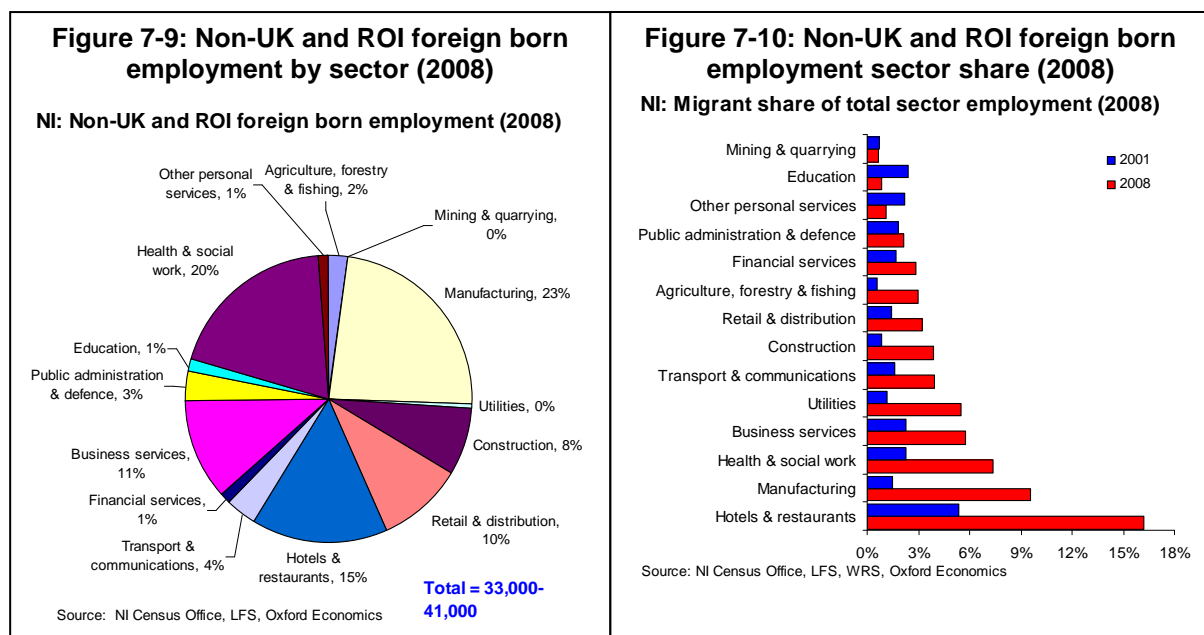
It is also useful to present migrant sectoral employment as a share of total sectoral employment. As explained previously, this helps to illustrate how dependent a sector is on migrant labour. Figure 7-8 shows that in 2001 the hotel & restaurant sector was most dependent on migrant workers with agriculture, forestry & fishing the least dependent.



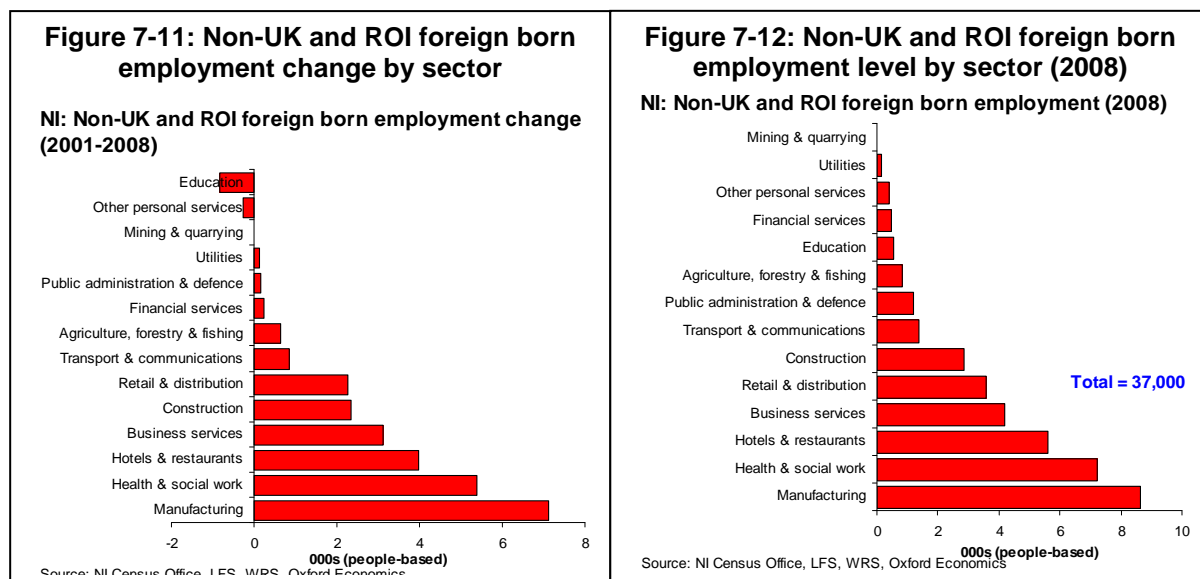
Chapters 3 and 5 also presented analysis for the sectoral distribution of so-called 'new' migrant workers. This relied heavily on WRS data, which, as was previously said, does not fit neatly with established standard industrial classification codes. This showed that NI had an 'above-UK average' concentration of 'new' migrant workers in construction and manufacturing.

Figures 7-9 and 7-10 below present estimates for the same analysis as Figures 7-7 and 7-8 for 2008. The sectoral breakdown of migrant workers in 2008 is based on 2001 Census data, LFS trends, WRS data and our own professional value judgement where recorded. **Total sectoral migrant employment figures then had to be scaled to our total migrant employment estimate – for this we assumed the mid-point estimate of our range values – 37,000. This is split between 24,000 post-2004 migrants and 13,000 pre-2004 migrants.**

The main employment sectors in 2008 for migrants remained similar to 2001, although the shares of migrant workers in manufacturing, construction and health are estimated to have increased significantly (Figure 7-9). As the overall level of migrant employment has risen sharply since 2004, and much faster than total employment, inevitably sectoral dependence on migrant workers has increased. Figure 7-10 shows that hotels & restaurants remains the sector most dependent on migrants (one in six workers) but manufacturing (one in eleven) and health (one in fourteen), as well as other sectors, are much more dependent on migrants than at the turn of the century. Though not presented here, the figures purely for post-2004 migrant workers are one on fourteen (hotels & restaurants), one in eleven (manufacturing) and one in thirty-five (health). The lower ratio for health reflects the greater dependence on non-A8 migrant workers (e.g. Filipino and Indian nurses etc).



As a final analysis on migrant sectoral employment, Figure 7-11 shows the change in migrant sectoral employment levels between 2001 and 2008 and the absolute levels of migrant sectoral employment in 2008. Note once again this is based on assumed total migrant sectoral employment of 37,000 which makes a difference to the numbers. Migrant employment levels in manufacturing, health, hotels & restaurants, business services, construction and retail & distribution are estimated to have increased most in absolute terms. This has meant that manufacturing now has the highest estimated level of migrant employment – over 8,000 – this compares to just 1,500 in 2001.



7.5 Migrant sectoral productivity

In order to estimate the GVA contribution of migrants in NI, it is necessary to make assumptions on the sectoral productivity of the average migrant worker. Note as for the entire sectoral workforce, migrants within each sector in NI could be employed in a range of occupations and have a range of productivities. However for the purposes of this study and the GVA calculation, it is sufficient to make generalised assumptions about the productivity of the average migrant worker in a sector¹⁹.

In saying that, making assumptions on average migrant sector productivity is far from a simple exercise. To inform our assumptions we have considered the following:

- **Business survey results** – sectoral responses to questions on motivations for recruitment (specifically to fill a labour shortage), migrant on-the-job performance, migrant occupations and migrants’ productivity / profitability impact; and
- **LFS data** – LFS data on average hours worked by migrant workers relative to the sector average (our measure of productivity is on a per job basis rather per hour worked so it matters for our assumption if migrants work for longer than the sector average), and average migrant wages relative to the sector average (wages are generally seen as a close proxy for productivity)

The results from this analysis are summarised below. In short it is difficult to extract consistent productivity messages on a sectoral basis.

- Firstly according to the business survey, migrants have largely, though not uniformly and always to the same degree, been recruited to address labour shortages and have been employed in low tier occupations. This would suggest for some sectors migrant productivity should be below the sector average.
- However countering this last point are the survey results suggesting migrants’ on-the-job performance is better than natives and evidence that migrants have had a positive productivity

¹⁹ Note the same sectoral assumptions are applied to pre and post-2004 migrants though arguably differentials here could be the subject of a separate study.

impact (though strangely a much lower positive profitability impact – this begs the question of whether employers truly understand the meaning of the two terms).

- Finally there are mixed sectoral results for migrant weekly hours' worked and weekly pay. Overall according to the LFS, migrants work longer hours (particularly in hotels & restaurants, construction and health) though this does not always read across to higher weekly pay (which from the LFS definition used is supposed to capture gross pay including overtime).

Despite our best intentions with how the survey questions were designed and the specific LFS analysis undertaken, taken all together, it is not possible to apply a scientific rule to adjust average sectoral productivities to come up with precise migrant productivity assumptions. The best that can be done is to apply 'rules of thumb' to decide whether we should assume migrant productivity should be above, equal to or below the sector average and by how much. These 'rule of thumb' assumptions are set out overleaf. The most difficult sector to make productivity assumptions for is manufacturing as various evidence would point to productivity assumptions equal to or below the sector average. In the end we selected an assumption of 10 percent below the sector average simply to avoid potentially over-estimating the overall GVA contribution of migrant workers.

Table 7-3: Migrant sector productivity survey and LFS analysis

	Address labour shortage (a large / little extent)	On-the-job performance (migrants better)	Occupation (low tier)	Productivity impact (increased)	Profitability impact (increased)	Migrant weekly hours worked difference (LFS)	Migrant average weekly wage difference (LFS)
Agriculture	84%	58%	94%	37%	21%	na	3%
Mining & quarrying	-	-	-	-	-	8%	na
Manufacturing	87%	39%	84%	39%	8%	-1%	-26%
Utilities	-	-	-	-	-	na	na
Construction	84%	42%	30%	28%	7%	10%	28%
Retail & distribution	73%	40%	37%	24%	6%	-4%	7%
Hotels & restaurants	78%	46%	30%	25%	4%	34%	-8%
Transport & communications	79%	38%	42%	50%	17%	-10%	19%
Financial & business services	56%	33%	11%	22%	4%	-9%	-21%
Public administration	38%	50%	52%	13%	0%	17%	12%
Education	72%	50%	55%	17%	0%	8%	na
Health	82%	24%	27%	4%	4%	17%	1%
Other personal services	60%	60%	30%	0%	0%	2%	36%
All sectors	78%	41%	40%	27%	7%	8%	-

Source: PMR, LFS, FGS

Table 7-4: Migrant sector productivity 'rule of thumb' assumptions

	Sector average productivity migrant adjustment	Explanation
Agriculture	-5%	Predominance of low tier occupation jobs and few self-employed migrants in the sector (so no profit element)
Mining & quarrying	0%	-
Manufacturing	-10%	LFS evidence of lower average pay although food processing productivity (sector employing many migrants) has equivalent or above manufacturing sector average productivity Simply to be conservative, we assume migrant productivity is 10% less than the sector average although clearly, if there are profit offsetting effects, this may result in an under-estimation of migrants' manufacturing GVA contribution
Utilities	0%	-
Construction	10%	LFS evidence of higher average pay and longer average hours worked
Retail & distribution	0%	LFS evidence of broadly average pay and average hours worked
Hotels & restaurants	0%	LFS evidence of lower average pay but longer average hours worked
Transport & communications	0%	LFS evidence of higher average pay but shorter average hours worked
Financial & business services	0%	LFS evidence of lower average pay and shorter average hours worked but survey evidence showed migrant employment share of low tier occupations was low
Public administration	5%	LFS evidence of higher average pay and longer average hours worked
Education	0%	-
Health	0%	LFS evidence of average pay despite longer average hours worked
Other personal services	0%	-

Source: Oxford Economics

7.6 Migrant gross direct, indirect and induced economic impact

Based on the above migrant sectoral employment estimates and productivity assumptions (still taking the mid-point estimate of our employment range values), Table 7-5 presents the **gross direct** economic contribution of migrant workers to the economy in 2008 – **37,000 jobs (people-based) and £1.06 bn GVA (2003 prices)**. This is equivalent to 4.8 percent of total employment and 4.1 percent of total GVA (the lower GVA share signalling below economy average productivity for migrant workers – this is almost entirely due to the concentration of migrant workers in lower productivity sectors such as hotels & restaurants and health). To put the figure of 4.1 percent GVA in context, this is roughly equal to twice the size of the agriculture sector and just less than the size of the financial services sector in NI. While an employment share of just under 5 percent appears significant for NI, this is low when compared to Australia (26 percent), Canada (21 percent), US (17 percent), ROI (15 percent) and UK (11 percent).

Note of these aggregate migrant impact results, we estimate post-2004 migrants directly contribute 24,000 jobs and £0.75bn GVA (2003 prices).

In keeping with HM Green Book guidance and best practice economic impact analysis, we have also estimated the indirect and induced impact of migrant workers, with separate estimates for pre and post-2004 migrant workers (Table 7-5).

- **Indirect impact** - the indirect effect is the supply chain linkage impact from sectors, directly employing migrant workers, buying from other sectors and this demand creating (or safeguarding) jobs in other sectors and also within the same sector. We estimate the indirect impact using DETI's 2003 input-output tables for the NI economy and confine impacts to indirect jobs in the NI economy. (We could, if required, extend indirect impacts outside NI but felt this was not particularly relevant for this study. This is the main reason why multiplier estimates presented in Table 7-5 are not higher – regional multipliers are typically lower than national multipliers as regions import from other regions which represents a leakage of spending)
- **Induced impact** - the induced impact is the local employment and GVA impact from migrants and indirectly employed non-migrant workers spending wage earnings locally and secondary population employment effects of migrant workers and their dependents residing in NI. The induced impact here is much more complex than for standard economic impact analysis for the following reasons.
 - Migrants repatriate part of their earnings (a leakage) so the induced impact of a migrant versus native worker earning the same wage is assumed to be lower (direct migrant wages are assumed to be equal to the sector ASHE²⁰ average adjusted for the migrant productivity assumptions in Table 7-4). There is scant evidence however on migrant repatriation levels (for both pre and post-2004 migrants) and none that DEL is aware of for NI. We have assumed an annual average repatriation amount of £2,500 for each migrant employed (this was based on an article on Polish migrant workers in the UK). This assumption is applied to both pre and post-2004 migrant workers.
 - Though type II multipliers can be estimated from DETI's input-output tables (type II multipliers incorporate indirect and induced impacts), this assumes direct and indirect persons employed previously had no income. This is unlikely in this context given the UK's generous welfare system. We assume indirectly employed non-migrant workers previously had annual income of £5,000 from benefits (note this assumption is straying into the issue of deadweight but we considered it preferable to handle in the impact methodology at this stage). DETI's input-output tables are though used for the sectoral distribution of induced spending (household consumption column). Applying the NI household consumption pattern may not be entirely representative of migrant spending patterns (e.g. migrants are more likely to spend money on English language courses etc than natives) but is sufficient for this purpose and final impact results would not differ significantly if alternative spending pattern assumptions were assumed for migrants.
 - Most induced analyses would stop at this point. However we need to also account for the secondary population impact of having migrant workers resident in NI and, up until recently, in growing numbers. The primary secondary impacts are in relation to construction and public services / spending. These are not incorporated into standard input-output type II multipliers.

Population-induced construction jobs, which we believe are much less controversial of the two induced effects, are estimated using construction job-population ratios from our NI Policy

²⁰ Annual Survey of Hours and Earnings

Simulation Model and the annual change in the migrant population stock (split for pre and post-2004 net arrivals). We use the change in stock rather than total migrant population stock level as it is generally only new migrant arrivals which create demand for new housing and hence create and sustain construction jobs (though the same number of migrants initially living at high density could have a demand for more housing if they seek to stay longer-term and their income rises). Note we do not assume further second, third round (etc) impacts from population-induced jobs although clearly these jobs themselves would have further indirect and induced impacts.

The public service population induced impact of migrant workers is, we appreciate, less clear cut. DFP were consulted twice on this issue and the following issues were raised.

- The Barnett Formula for UK regional public expenditure allocations is partly based on NI's share of the UK population. Migration could have an impact on expenditure allocations in NI but only in so far as if migration into NI had proportionately been significantly different to that for the UK as a whole (i.e. straying into a deadweight scenario). For example if NI had a zero foreign-born population and other regions remained as they are in terms of having significant foreign-born populations, it might be expected that NI would receive a smaller block grant from HM Treasury (and possibly have fewer public sector jobs). However as DFP point out, irrespective of migrant levels in NI, a large employed migrant stock in GB contributing additional tax revenue could in theory increase the total amount of resources available for allocation within the UK, meaning potentially more resource for NI – i.e. a smaller share but a larger 'pot'. Though without extra population from migrants in NI this would unlikely translate into extra demand and jobs in public services but more likely extra non-direct job creating public spending.
- Though NI has attracted migrants and thereby increased its UK population share (or stopped it falling in a deadweight migrant case), there is no guarantee of a direct link between the size of the public expenditure block grant and the number of public sector jobs. As DFP rightly informed us, the job impact of any change in the block grant depends on a number of factors including how the additional money is allocated (i.e. recruiting nurses or grants to local businesses) and how much is allocated towards pay increases and the capital / current expenditure split (capital expenditure would be unlikely to have much impact on public sector jobs, - but could boost private sector employment in the construction sector).
- Therefore for these reasons, the possibility that migrant inflows have increased public sector employment is by no means the most likely impact. We therefore only include this effect in the upper bound assumptions of the estimated economic impact of migrants²¹.

A final consideration is the need to be wary of double-counting migrants across direct, indirect and induced impacts. We have assumed all migrants are employed in direct jobs but in practice some may be in the indirect sectors which we have estimated as an entirely additional impact. For example a migrant may be employed in agriculture supplying food products to migrants working in food processing but the above approach would count the migrant in agriculture as a direct job and as an

²¹ We do this by using public sector job-population ratios from our NI Policy Simulation Model (total population for public administration and health and the school age population for education) and our estimated total and school age migrant population stocks. Of course if the migrant effect here is purely on public spending levels rather than employment levels an alternative approach would be required

indirect job via supply-chain multipliers. It is however very difficult to eliminate the true level of double-counting. What we have done for both indirect and all types of induced jobs is apply the migrant shares of sectoral employment and deduct the resulting job figures from our indirect and induced sectoral estimates. This could well still leave some double-counting (as the remaining indirect and induced jobs may not all have been taken up by native workers) but we believe this is the most defensible approach at this point in time.

Based on all described above, Table 7-5 presents the **gross indirect and induced economic contributions** of migrant workers to the economy in 2008 – the combined *gross* indirect and induced contribution is **20,500 jobs (people-based) and £630m GVA (2003 prices)**. This implies regional type II employment and GVA multipliers²² of around 1.6 – remember as said above, this is lower than what one would associate for national type II multipliers given (1) we exclude impacts outside NI (there will be significant supply-chain imports), (2) we assume some migrant wage repatriation and (3) indirectly employed non-migrants are assumed to have previously a minimum level of deadweight income from benefits of £5,000 pa.

Table 7-5: Migrant gross direct, indirect and induced economic impact (2008)

	Pre-2004 migrants		Post-2004 migrants		Total migrants	
	Employment (people-based)	GVA (£m 2003 prices)	Employment (people-based)	GVA (£m 2003 prices)	Employment (people-based)	GVA (£m 2003 prices)
Direct	13,010	310	23,990	750	37,000	1,060
Agriculture, forestry & fishing	110	0	710	10	820	10
Mining & quarrying	10	0	0	0	10	0
Manufacturing	500	20	8,140	310	8,640	330
Utilities	100	10	60	10	160	20
Construction	130	0	2,710	80	2,840	80
Retail & distribution	1,920	50	1,650	40	3,570	90
Hotels & restaurants	3,110	40	2,500	40	5,610	80
Transport & communications	780	30	570	20	1,350	50
Financial services	480	30	0	0	480	30
Business services	50	10	4,130	160	4,180	170
Public administration & defence	970	30	220	10	1,190	40
Education	420	10	110	0	530	10
Health & social work	4,420	80	2,810	60	7,230	140
Other personal services	10	0	380	10	390	10
Indirect	4,720	170	9,440	300	14,160	470
Induced	1,500	30	4,880	130	6,380	160
Multipliers						
Type 1	1.36	1.55	1.39	1.40	1.38	1.44
Type 2	1.48	1.65	1.60	1.57	1.56	1.59
Direct % NI total	1.7%	1.2%	3.1%	2.9%	4.8%	4.1%
Direct, indirect and induced % NI total	2.5%	2.0%	5.0%	4.5%	7.5%	6.5%

Source: Oxford Economics

Note: Figures rounded to nearest 10

²² (Direct + indirect + induced impacts) / direct impact

7.7 Migrant displacement impact

We have already discussed in some depth the displacement impact of migrant workers, both in terms of international, UK and ROI literature; consultation views; the business survey results; and LFS analysis. As said before, **displacement is one of the most controversial migration-related issues – the extent to which migrants are employed at the direct expense of natives – and is perhaps the most crucial additionality consideration for estimating the net economic contribution made by migrants, alongside deadweight effects.**

To recap the main points made already on displacement were as follows:

- Genuine migrant displacement is less common (at least during buoyant growth periods) and migrants tend, in most cases, to be ‘occupationally segregated’ from native workers. This applies internationally and to recent experiences in NI, UK and ROI
- Although estimates from literature for native worker displacement vary between high and low displacement, the recent consensus from UK literature is that displacement has been relatively low [The Dustmann et al (2003) displacement rate of 23-60 percent is at the extreme end of high displacement]
- Few consultees engaged in this study believed that significant displacement had occurred in NI through the employment of migrant workers in their sector. Furthermore the majority of businesses surveyed across each sector said that migrants were recruited to fill labour shortages which could not be met by local supply for a host reasons included ‘benefit trap’ issues. Also a high share of firms across sectors, especially in agriculture, manufacturing, hotel & restaurants and health, reported difficulties recruiting and retaining suitable local persons (recall this did not relate to the current economic downturn period) and the majority of firms did not recruit migrants to lower employment costs (so cheap migrant labour has generally not been substituting for more expensive native labour)
- LFS analysis, albeit subject to sample size caveats, suggests that across some sectors in Northern Ireland – notably manufacturing – native employment has declined at the same time as it has risen amongst migrants, hinting at some degree of displacement upon native workers. Although we also noted that according to Oxford Economics’ replacement demand analysis from its future NI skill needs research, net turnover rates are traditionally high anyway in manufacturing for a number of reasons so the fact that native employment is falling need not at all be entirely a migrant displacement effect. A decline in native employment in growing sectors with traditionally low turnover rates would however be clearer evidence of displacement (e.g. business services or public administration). Similar migrant / native employment trend analysis was undertaken on an occupational basis and revealed other divergent trends within occupations (i.e. native employment falling, migrant employment rising). The most apparent divergent trends tended to be in lower grade occupations – again this does not necessarily indicate displacement but instead high net turnover rates amongst native workers and natives moving up the occupation ‘ladder’. This is by no means a bad thing and all part of the process of economic transformation
- A key follow-up hypothesis tested was whether displacement was ‘voluntary’ or ‘involuntary’, which allies to the points above on turnover rates and moving up the occupation ‘ladder’. Based on evidence from consultations, it would seem that many native workers *chose* to leave lower-skilled occupations rather than being forced out, suggesting voluntary displacement has occurred

in most cases (which in terms of economic impact analysis means negligible displacement). This was further supported by evidence on unemployment rates amongst native workers, which fell to around 3 percent and remained there even after the post-2004 influx in migrant labour, and fell across all skill levels, including for lower skilled native workers who might have been considered most vulnerable to the influx of migrant workers. Though the implied scale of native employment expansion slowed considerably post-2004 (based on official estimates of total employment and our estimates of migrant employment), our view is that this largely reflected a near 'exhaustion' of willing native supply. Although native supply would still have been forthcoming from the education system (overall youth unemployment did not rise post-2004) it is quite possible that more native workers were retiring early, helped at the time by large house price gains and stock market rises which would have increased wealth levels before the recent collapse in both.

- The final piece of evidence from the LFS looked at the extent to which unemployed native workers have come from migrant dense sectors and occupations. Based on the merged LFS dataset, overall 48 percent of unemployed natives worked previously in a migrant dense sector, which together accounted for only 38 percent of employment. This suggests a moderate but not significant displacement effect (however this type of analysis is also partly flawed by not controlling for whether sectors are growing or declining – for example currently a high share of native unemployed will come from construction but this is because the sector is more vulnerable in recession rather than being displacement *per se* by migrant workers - though it will be interesting to observe whether, for example, migrant construction workers lose their jobs in the same proportion as native construction workers). This analysis was also considered over time. If involuntary displacement was genuinely occurring, an increasing trend in the proportion of native unemployment coming from migrant dense sectors and occupations would have been expected. There is only slight evidence of this plus the rise in share of native unemployment in migrant dense sectors in 2008 is more related to overall job loss in these sectors due to the onset of recession and construction downturn rather than a direct migrant displacement effect.

Like for productivity assumptions, taken all together, it is difficult to apply a scientific rule based on all of this evidence to come up with precise migrant sectoral displacement assumptions. The best that can be done again is to apply 'rules of thumb' based on the range of results to decide whether we should factor in any displacement effects and to what extent (we do however alter displacement assumptions in undertaking upper and lower bound scenario estimates of migrant workers' economic impact). The various results and final sectoral assumptions made are summarised below.

The highest assumed displacement is for sectors where migrants are not recruited to fill labour shortages, where there is little difficulty recruiting and retaining suitable local workers and where native employment has fallen (and migrant employment has risen). Having a high displacement assumption does not necessarily mean high absolute displacement of local workers – public administration is given the highest assumed displacement rate but as few migrants are actually employed in the sector, the absolute displacement effect is small. Despite falls in native employment in manufacturing, construction and hotels & restaurants, we do not assume higher displacement rates than 2-5 percent as we believe much of the native trend can be explained by voluntary displacement, moving up the occupation 'ladder' and migration 'occupational segregation'. In fact for the recent past a 2-5 percent displacement assumption may be on the high side. Sectors such as health and financial and business services, which have seen strong growth in both native and migrant employment, are assumed to have zero displacement as the recruitment of migrant workers does not in any way appear to have affected employment opportunities for natives.

Table 7-6: Migrant sector displacement survey and LFS analysis and final assumptions

	Address labour shortage (a large / little extent)	Difficulty recruiting suitable local workers	Difficulty retaining suitable local workers	Change in native employment 2001-07 (LFS raw unscaled rounded)	Change in migrant employment 2001-07 (LFS raw unscaled rounded)	Change in native employment 2004-07 (LFS raw unscaled rounded)	Change in migrant employment 2004-07 (LFS raw unscaled rounded)	Sector displacement assumption
Agriculture	84%	63%	47%	-	-	-	-	0%
Mining & quarrying	-	-	-	-1,250	0	-460	0	0%
Manufacturing	87%	49%	41%	-14,430	8,330	-8,740	9,760	5%
Utilities	-	-	-	-2,620	390	570	390	0%
Construction	84%	24%	20%	5,340	5,400	-13,400	5,120	5%
Retail & distribution	73%	36%	28%	-	-	-	-	5%
Hotels & restaurants	78%	40%	40%	-2,110	4,970	-1,960	110	2%
Transport & communications	79%	38%	25%	-	-	-	-	5%
Financial & business services	56%	33%	19%	19,530	3,390	21,750	2,960	0%
Public administration	38%	38%	25%	-	-	-	-	10%
Education	72%	50%	33%	-	-	-	-	5%
Health	82%	46%	36%	31,090	7,660	33,510	8,390	0%
Other personal services	60%	30%	40%	10,570	1,050	5,870	1,780	5%
All sectors	78%	38%	31%	43,780	31,450	34,530	28,780	-

Source: PIMR, LFS, FGS

Note the effect of assuming some level of migrant employment displacement (1,100 of the 37,000 jobs) is to automatically lower the scale of the migrant indirect and induced impact (though not the secondary population induced impact). Also had native workers been employed (straying into deadweight), we assume the induced spending impact would have been larger as each employed native worker would not have repatriated the assumed £2,500 - we assume this would have been spent if native workers had been employed so deduct this from the original gross induced impact.

Overall the effect of displacement is to lower the direct migrant employment impact by 1,100 jobs, the indirect impact by 490 jobs and the induced impact by 180 jobs. (Note these figures are rounded to nearest 10). These are relatively small adjustments suggesting a still overall significant positive contribution to the economy by migrants.

Of course it is important to caveat once again this last statement with the point that displacement analysis is difficult to undertake and still requires some professional judgement which all readers may not unanimously agree with. More jobs could potentially have gone to native working age persons and if wages had been higher (though the evidence is not strong that migrants depressed wages) this may have had a greater local induced impact than a situation where corporate profits accruing to business owners increased.

7.8 Migrant wage impact

The LFS analysis undertaken for this study compared the annual average growth in native earnings in migrant-dense sectors and occupations against economy-wide native earnings. In general, lower wage growth in migrant-dense sectors and occupations might suggest some suppression of wages as a result of the increase in migration and supply of potentially cheaper labour. This would also link to displacement as higher wages might otherwise have attracted native workers into migrant-dense sectors and occupations.

The economic impact of lower wages for native workers would in theory be reduced consumer spending and a smaller induced employment impact (although in reality native workers may end up saving less and spending the same amount which would have its own knock-on economic effect). In GVA terms (recall GVA is essentially wages and profits) the direct impact is more neutral assuming

any wage cost saving automatically results in higher profits (although one effect of migrants is a leakage of earnings back to their origin country).

The broad result of the LFS analysis however, at sectoral level at least, was that the majority of migrant-dense sectors recorded stronger native earnings growth than the economy native average. We did point out however, and without wishing to be repetitive, that the analysis related to a period of unprecedented economic growth in Northern Ireland and that three of the migrant-dense sectors (business services, hotels and restaurants and construction) that experienced native earnings growth most in excess of the native economy average enjoyed particular success up to early / mid 2008. As a result underlying labour market tightness in these sectors would have been a factor driving up wage growth which could have more than offset any downward pressure on wages from migrants. We also need to remember the UK has a national minimum wage which prevents (in theory at least), downward pressure on wages below a minimum threshold.

At 2-digit occupation level the evidence was more mixed. Some migrant-dense occupations exhibited above native average wage growth and some below average. This less clear picture suggests that broader sectoral analysis is perhaps not sufficiently detailed to pick up more subtle trends. Regardless the message remains that there is no clear evidence to suggest that migrant workers have suppressed wage levels in NI to any significant degree.

The LFS results described above, albeit based on small sample sizes, are not surprising when set in the context of literature findings and the business survey results. Over 90 percent of employers responded that recruiting migrant workers had not lowered employment costs though interestingly the sectors reporting the highest shares of migrants lowering employment costs were construction, manufacturing and hotel & restaurants (still the highest shares were only 7-10 percent of the respective sector totals). It may also be that for some employers' responses, employment costs were not said to have fallen because they simply had more staff on the payroll including migrants and they did not think in terms of average rates of pay.

Taking all this evidence together we do not assume that migrant workers have had a significantly positive or negative impact on wage levels in the NI economy and as such do not make any additionality adjustment for this. Even if other evidence did show migrants had lowered wage levels, there is a positive competitiveness upside (for employers at least) which may offset any downside.

Before considering the final element of the additionality of migrant workers – deadweight – we wish to briefly mention one other subtle employment cost issue which was identified in the business survey and consultations. What this helps to show is that migrant impacts are far from straightforward and the potential danger of making high-level generalisations. According to businesses, while not creating direct employment cost savings (as it appears that migrants are by and large paid the same rate as locals in a similar job), hiring and employing migrants created indirect savings. Employers described how “migrant workers have told friends and family members about their job” which has saved on advertising costs, “how absenteeism is very low and migrants have reduced this and therefore reduced costs”, and how the availability of migrant workers has allowed businesses to use less agency workers.

7.9 Migrant deadweight impact

Some deadweight or at least deadweight-type migrant impacts have already been accounted for in previous elements of the impact approach. As explained it was easier to incorporate these deadweight effects alongside other considerations rather than handle altogether during this final stage of the impact analysis.

To recap, elements of deadweight-type effects which have already been accounted for include:

- **Previous income of indirectly employed native workers** – when estimating induced impacts, we deducted £5,000 from the annual earnings of indirectly employed native workers. This is because had these persons not been employed (if NI did not have the direct migrant jobs then the indirect jobs we assume would not exist), their income would not have been zero as they would have been eligible to and received a minimum level of welfare payments. (The figure of £5,000 is a rough approximate for average eligible entitlements though in practice eligible entitlements are determined by a complex mix of family status, financial, health etc personal characteristics) Note this deduction is not necessary for migrant earnings as they did not previously reside in NI so we use all of their earnings to estimate induced impacts.
- **Higher spending of displaced native workers** – in assessing the size of the negative native labour displacement effect, we factored in a situation whereby had native workers been employed instead of migrants, the induced spending impact would have been larger as each employed native worker would not have repatriated the assumed £2,500 and instead we assumed this value (or at least part of it) would have been spent locally

Note all of the above in one way or other reduce the size of the positive migrant *gross economic* impact as they are negative deadweight effects. Another potential negative deadweight effect, although not modelled here as it was not included as an issue in the business survey, relates to businesses making greater effort to employ native workers and retaining older workers (possibly by offering higher wages).

There is however one important positive deadweight impact which by not including, would mean an under-estimation of the economic contribution of migrant workers. As reported in the previous chapter under ‘firm impact’ analysis, there is emerging clear evidence from consultations and our employer survey that certain sub-sectors – most notably food processing – could have all but disappeared from NI without migrant workers to fill their acute labour shortages (for simplicity we assume this positive deadweight impact is fully attributable to post-2004 migrant workers though we recognise the ‘on-the-ground’ reality is not as straightforward, e.g., Portuguese workers in food processing). This is borne out further by ongoing efforts of the food processing sector in NI to place specific migrant-intensive occupations, such as meat boning and trimming, on the Migration Advisory Committee’s national shortage list.

A further indication of migrant worker impacts is provided by employer responses on their perceptions of the role of migrants in helping organisations to survive and prosper. On average fully 31 percent of employers said migrants had been ‘important’ for their organisation’s survival, including more than 50 percent in health and in agriculture. In addition almost half of businesses said they would at least be employing the same number of migrants as now in the medium-term, with a higher share saying they would be employing more rather than less. Clearly the employment of migrant workers is not seen as only a recent phenomenon.

Based on this evidence it seems fair to assume that the availability of migrant workers, by helping firms to avoid closing or relocating out of NI, would have helped to safeguard jobs of natives in these businesses. The survey evidence used to inform the positive deadweight impacts is summarised below (Table 7-7).

Table 7-7: Migrant sector positive deadweight evidence

	Outcome if migrants unavailable (relocate)	Outcome if migrants unavailable (closed)	Outcome if migrants unavailable (invested in more machinery and equipment)	Migrant importance for long-term survival (yes)	Future medium-term migrant employment levels (same)	Future medium-term migrant employment levels (more)	Future medium-term migrant employment levels (less)	Significant positive deadweight impact
Agriculture	0%	25%	25%	53%	53%	16%	11%	Yes
Mining & quarrying	-	-	-	-	-	-	-	-
Manufacturing	8%	15%	17%	40%	43%	19%	7%	Yes
Utilities	-	-	-	-	-	-	-	-
Construction	2%	0%	16%	21%	44%	9%	12%	-
Retail & distribution	3%	0%	10%	17%	46%	17%	12%	-
Hotels & restaurants	3%	3%	8%	39%	46%	18%	9%	Yes
Transport & communications	0%	0%	0%	33%	46%	21%	8%	-
Financial & business services	0%	0%	0%	15%	56%	7%	0%	-
Public administration	0%	0%	100%	0%	63%	0%	0%	-
Education	14%	0%	0%	33%	50%	17%	6%	-
Health	4%	14%	0%	56%	56%	14%	6%	Yes
Other personal services	0%	0%	0%	20%	50%	20%	0%	-
All sectors	4%	6%	12%	31%	45%	16%	9%	-

Source: PIMR

While at individual firm level there may well be examples of positive deadweight impacts across all sectors, the evidence in Table 7-7 suggests the most positive deadweight impacts are in four sectors – agriculture, manufacturing, hotel & restaurants and health. Across each of these sectors there were a combination of responses that a higher proportion of businesses would relocate or close without the availability of migrant workers (and thereby native workers would lose jobs as well), that migrants were extremely important for the long-term survival of the sector and a high share of firms would continue to employ and depend on the same level or a higher number of migrant workers. Note within manufacturing the share of food processors that said they would ‘close’ if migrant workers were not available was twice the sector average (almost one in three).

Incorporating this information into impact analysis however is not straightforward. We could directly apply the percent ‘close’ figures to the entire number of sector businesses and using average employment and GVA assumptions per business (less the sectoral direct migrant employment and GVA contribution to avoid double-counting), estimate the quantum of native jobs and GVA that otherwise would have been lost had migrant labour not have been available. We do not propose using the percent ‘relocate’ shares as part of this could be relocation within NI (the survey did not explicitly state relocation outside NI).

While this approach described is perfectly sensible, it could however possibly over-estimate the positive deadweight impact. This is because firms reporting that they would ‘close’, may be smaller than the sector average (so it would be inappropriate to apply average employment and GVA assumptions per business) and the survey sample itself, despite best intentions, may not be truly representative of the economy. Also if firms that said they would ‘close’ had a largely migrant workforce then the number of natives that would lose their jobs would be much less than if the native sector employment average share was applied (although subtracting direct migrant employment, to avoid double-counting, should partly address this). Lastly specifically for health (though it may apply to a lesser degree to other sectors) it is unlikely in practice that 14 percent of health establishments

would actually close, especially those public-run, as a broad range of services would still need to be provided locally. Therefore we need to treat health different to other sectors for deadweight analysis. What would likely happen in the health sector in reality if migrant labour was not available is greater out-sourcing of patient treatments outside NI to meet waiting list targets - this would represent an explicit but difficult to quantify leakage from the economy (as such we do not attempt to estimate the potential value of this).

The final assumptions we applied were to assume the following ‘conservative’ sector shares of businesses that would cease to trade under a deadweight ‘no migrant worker’ scenario: agriculture (10 percent), manufacturing (10 percent) and hotels & restaurants (2 percent), resulting in loss of native employment and associated GVA. The effect of accounting for this form of deadweight is to increase the overall *net* economic contribution of migrant workers as follows (note these figures should be used with extreme caution given the difficulties estimating positive deadweight): 3,600 jobs and £80m real GVA safeguarded. Note we do not assume further second, third round etc impacts from these safeguarded native jobs although they would have further indirect and induced impacts.

7.10 Migrant *net* economic impact

A summary of our central estimate (as opposed to our upper and lower bound estimates) for the overall *net* economic contribution of migrant workers is presented in Table 7-8. With the displacement and negative deadweight impact for 2008 assumed to be relatively small (2,800 jobs and £50m real GVA), the overall *net* impact of all migrant workers, also taking into consideration indirect, induced, leakage and positive deadweight effects, is **58,400 jobs and £1.7bn GVA** (2003 prices). For useful context again, the overall *net* GVA migrant contribution is close to the GVA contribution of the whole construction sector – hence a sizeable contribution. **The *net* impact of post-2004 migrant workers is 40,000 jobs and £1.2bn GVA**, around two thirds of the total.

As explained earlier in the chapter, it is useful to estimate upper and lower bound estimates of the *net* economic contribution of migrant workers given the various uncertainties associated with the calculations and to illustrate the potential range of results.

Table 7-9, which presents **upper bound** estimates of the *net* contribution, is different from the central case scenario in the following ways: the upper range of migrant population and employment estimates are used; productivity is 5% higher (relative to NI sector averages) compared to the central case; the induced effect on public sector employment is added (see above); zero native employment displacement is assumed across all sectors; and finally higher positive deadweight assumptions are applied (15% for agriculture and manufacturing and 5% for hotels & restaurants and health & social work). The effect of this is to raise the *net* contribution estimates to 80,900 jobs and £2.4bn GVA (2003 prices), of which 54,000 jobs and £1.6bn GVA is attributable to post-2004 migrants.

Table 7-10, which focuses on **lower bound** migrant impact estimates, differs from the central case scenario as follows: the lower range of migrant population and employment estimates are used; productivity is 5% lower (relative to NI sector averages) compared to the central case; 5% higher native employment displacement is assumed across all sectors; and lower positive deadweight assumptions are applied (5% for agriculture and manufacturing and 0% for hotels & restaurants). The effect of this is to lower the *net* contribution estimates to 47,900 jobs and £1.4bn GVA (2003 prices), of which 31,100 jobs and £0.9bn GVA is attributable to post-2004 migrants.

Table 7-11 provides a high level summary of the central case and upper and lower bound estimates of the *net* migrant economic contribution, focusing solely on post-2004 migrants.

Table 7-8: Migrant *net* economic impact (2008) – central case estimate

	Pre-2004 migrants		Post-2004 migrants		Total migrants	
	Em ployment (people-based)	GVA (£m 2003 prices)	Em ployment (people-based)	GVA (£m 2003 prices)	Em ployment (people-based)	GVA (£m 2003 prices)
Gross impact						
Direct	13,010	310	23,990	750	37,000	1,060
Indirect	4,720	170	9,440	300	14,160	470
Induced	1,500	30	4,880	130	6,380	160
Total	19,230	510	38,310	1,180	57,540	1,690
Displacement and negative deadweight	-750	10	-2,000	-60	-2,750	-50
Positive deadweight	0	0	3,610	80	3,610	80
Net impact	18,480	520	39,920	1,200	58,400	1,720
% NI total	2.4%	2.0%	5.2%	4.6%	7.6%	6.6%

Source: Oxford Economics

Note: Figures rounded to nearest 10

Table 7-9: Migrant *net* economic impact (2008) – upper bound estimate

	Pre-2004 migrants		Post-2004 migrants		Total migrants	
	Em ployment (people-based)	GVA (£m 2003 prices)	Em ployment (people-based)	GVA (£m 2003 prices)	Em ployment (people-based)	GVA (£m 2003 prices)
Gross impact						
Direct	16,020	450	24,990	810	41,010	1,260
Indirect	5,880	210	9,820	310	15,700	520
Induced	4,970	140	8,940	230	13,910	370
Total	26,870	800	43,750	1,350	70,620	2,150
Displacement and negative deadweight	0	0	-700	0	-1,100	-30
Positive deadweight	0	0	11,300	270	11,300	270
Net impact	26,870	800	54,350	1,620	80,820	2,390
% NI total	3.5%	3.1%	7.1%	6.2%	10.5%	9.2%

Source: Oxford Economics

Note: Figures rounded to nearest 10

Table 7-10: Migrant *net* economic impact (2008) – lower bound estimate

	Pre-2004 migrants		Post-2004 migrants		Total migrants	
	Employment (people-based)	GVA (£m 2003 prices)	Employment (people-based)	GVA (£m 2003 prices)	Employment (people-based)	GVA (£m 2003 prices)
Gross impact						
Direct	12,010	300	20,990	600	33,000	900
Indirect	5,070	190	7,570	230	12,640	420
Induced	1,500	40	4,160	100	5,660	140
Total	18,580	530	32,720	930	51,300	1,460
Displacement and negative deadweight	-1,780	-10	-3,190	-100	-4,970	-110
Positive deadweight	0	0	1,610	30	1,610	30
Net impact	16,800	520	31,140	860	47,940	1,380
% NI total	2.2%	2.0%	4.0%	3.3%	6.2%	5.3%

Source: Oxford Economics

Note: Figures rounded to nearest 10

Table 7-11: Migrant *net* economic impact (2008) – central case and upper / lower bound estimates for post-2004 migrant workers

	Employment (people-based)			GVA (£m 2003 prices)		
	Lower bound	Central case	Upper bound	Lower bound	Central case	Upper bound
Gross impact						
Direct	20,990	23,990	24,990	600	750	810
Indirect	7,570	9,440	9,820	230	300	310
Induced	4,160	4,880	8,940	100	130	230
Total	32,720	38,310	43,750	930	1,180	1,350
Displacement and negative deadweight	-3,190	-2,000	-700	-100	-60	0
Positive deadweight	1,610	3,610	11,300	30	80	270
Net impact	31,140	39,920	54,350	860	1,200	1,620
% NI total	4.0%	5.2%	7.1%	3.3%	4.6%	6.2%

Source: Oxford Economics

Note: Figures rounded to nearest 10

8 Towards the Future: The Role of Migrant Labour in Northern Ireland

Introduction

We have so far drawn together a broad range of evidence on the economic, labour market and skill impacts of migrant workers, focusing primarily on the recent experience and particularly post-2004 migrant arrivals to NI. Before concluding and discussing the potential policy implications of our research, we cast an eye to the future and try to understand the likely trajectory of migrant employment in NI and its impacts.

8.1 Likely trends in migration to the UK and Northern Ireland

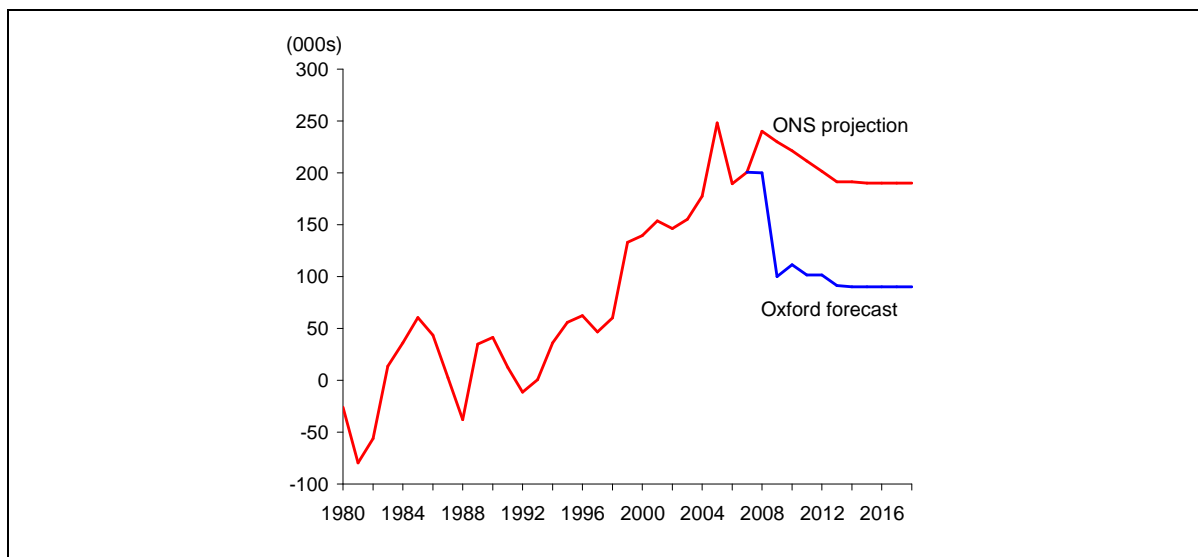
The current Oxford Economics forecast for UK net migration (inflows minus outflows) suggests a slowdown from +237,000 in 2007 to around +100,000 by 2009. Thereafter we project a further modest decline before stabilisation around +90,000 after 2013 (Fig 8-1). This suggests that the high levels of net migration seen in the last few years may well be a thing of the past. For one thing, improving economic performance in origin countries is considered likely to dampen the rate of UK population increase from migration, as will a slower period of economic growth in the UK as a whole compared to the last decade of unbroken, stable growth

This judgement is supported by econometric evidence that net migration is affected by relative employment growth and the UK's effective exchange rate, both of which are unlikely to be as strong over the forecast period as we have seen in the UK until recently. The latest official projection from the Office for National Statistics is based primarily on a continuation of the average net migration rates of the last few years, which is likely to prove to have been something of an exceptional period. The way that official population projections are set, i.e. trend-based, and their limitations, is often much less widely understood than they should be considering how government departments and regional development agencies etc often rely exclusively on official projections. This is not a criticism of statisticians – their job is not to develop econometric equations. However it does tend to mean that official population projections, in terms of demographic change such as recently, can often be a long way off the mark and are only adjusted with a long lag.

Our current forecasts for net migration in the UK regions are presented in Table 8-1. Overall, the highest levels of net migration (domestic and international combined) are expected in the South West and South East of England, driven in no small part by the in-migration of late-career or retiring people moving from London. Trends in total and working-age net migration tend to mirror each other across the regions, with the stark exception of London: here, in a truly global economic capital, out-migration described above will be counterbalanced by continued high rates of in-migration by younger working-age people from both the UK and overseas.

In Northern Ireland, our forecasts suggest an overall stabilisation in levels of net migration during the next decade, including a very modest net outflow in people of working age from 2015. This fits with the more modest economic outlook implicit in the employment forecasts previously presented. However, as the subsequent Table 8-2 illustrates, this should not be confused with the overall predicted change in working-age population, which is forecast to rise by 95,000 between 2008 and 2019 through natural increase (i.e. children moving into the working age bracket).

Figure 8-1: Net UK international migration forecasts



Source: Oxford Economics UK population forecasts and Office for National Statistics

Table 8-1: Projected average annual net migration in UK regions, 2009-2019

	Total population (average flow per year, 000s)			Working-age population (average flow per year, 000s)		
	2009-2010	2011-2014	2015-2019	2009-2010	2011-2014	2015-2019
South West	+40	+36	+33	+25	+21	+18
South East	+36	+28	+22	+20	+11	+6
Eastern	+20	+22	+19	+8	+10	+8
East Midlands	+13	+12	+10	+5	+4	+2
Yorks & Humber	+18	+11	+10	+18	+11	+10
Wales	+12	+8	+7	+8	+5	+4
Scotland	+10	+6	+9	+8	+4	+7
North East	+3	+2	+2	+3	+2	+2
N. Ireland	+4	+1	0	+3	0	-1
North West	+2	0	+1	+3	+1	2
West Midlands	0	-3	-5	-2	-5	-7
London	-51	-27	-19	+2	+26	+35
UK	+106	+96	+90	+100	+92	+86

Source: Oxford Economics population forecasts

More detail on the likely contribution of domestic and international migration to changes in the total working-age population of the UK regions is presented in Table 8-2. Overall, this suggests that just fewer than 1 million additional international migrants of working age are expected to be in the UK by 2019, with London receiving almost two thirds of them. Net inflows of working-age foreign migrants are also expected to be relatively high in Yorkshire and the Humber and to a lesser extent in the South East. In Northern Ireland, as previously noted, the net working age migration forecast is broadly zero with a modest net domestic inflow offset by a modest net international outflow – this compares to a net international inflows into NI peaking at 9,000 in 2006.

Table 8-2: Drivers of change in working-age population of UK regions, 2008-2019

	Projected working-age population (000s)	Overall change in working-age population (000s)	Total net working-age migration 2009-2019 (000s)		
			2019	2008-2019	Domestic
London	5,690	+510	-350	+634	+284
Yorks & Humber	3,499	+188	-15	+147	+132
South East	5,567	+333	+29	+84	+113
North East	1,640	+12	-22	+46	+24
South West	3,444	+244	+177	+45	+222
Eastern	3,738	+201	+65	+32	+97
Wales	1,917	+75	+30	+22	+52
North West	4,423	+90	+6	+13	+19
West Midlands	3,402	+47	-59	+1	-58
N. Ireland	1,220	+95	+2	-1	+1
Scotland	3,378	+72	+78	-9	+69
East Midlands	2,875	+80	+58	-19	+39
UK	40,794	+1,948	0	+995	+995

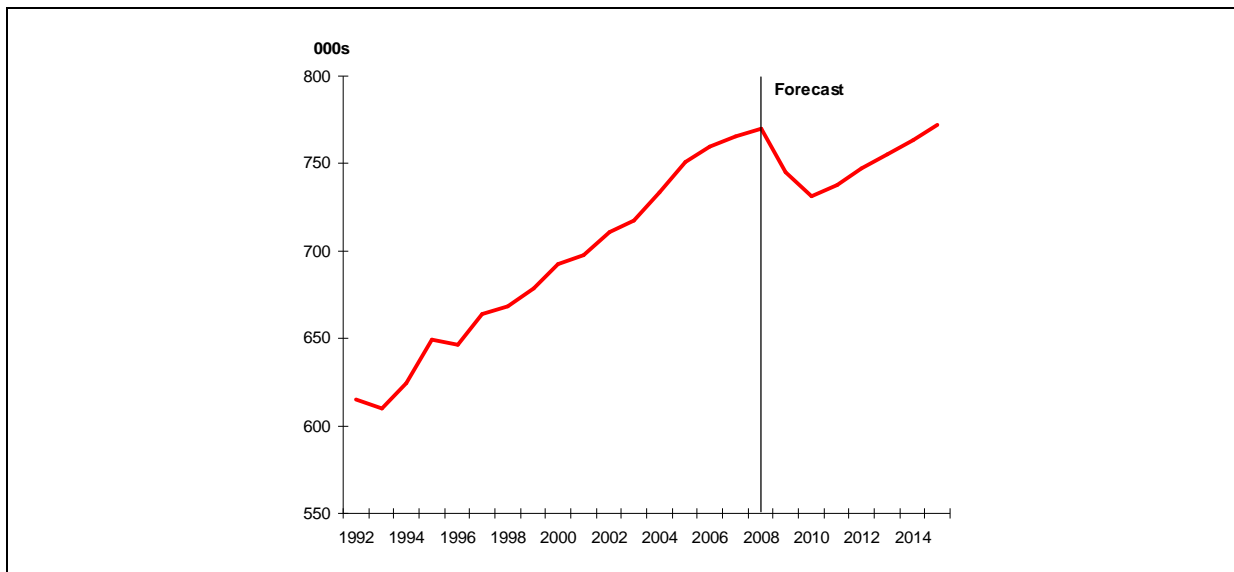
Source: Oxford Economics population forecasts

8.2 Economic prospects

Links between the economic cycle and migration flows are well established, and the impact of the current recession on rates of both entry and outflow of migrant workers to and from the UK are considered likely to be significant. However, just as higher levels of migration and inter-culturalism are products of a modern-day globalised and highly interconnected world, so too is greater synchronicity / 'coupling' in rates of economic expansion and contraction across national economies. The implications of this for international migration are uncertain: when the UK economy began to slow rapidly in 2008, inflows of A8 migrant workers tailed off similarly quickly. Yet when the Polish and other eastern European economies started to contract by the turn of the year, migrant flows to the UK picked up again. Just as long-term economic disparities play a clear role in driving migration flows, so too, it seems, do short-term economic prospects.

The long-term forecast for the Northern Ireland economy suggests expansion, but at a much less rapid pace than the recent period of debt-fuelled economic growth, and with significant short-term net job loss. As Figure 8-2 illustrates, total employment is not expected to have reached its 2008 level until well past the end of official recession, clearly restricting the growth in opportunities for migrant workers (many of whom work in pro-cyclical, income-driven sectors). In our survey, **just 7 percent of NI employers said they expected future migrant inflows to be as high as those seen in recent years**, and this would seem a reasonable assessment based on known information on the state of the economy and its links to migration (as well as additional developments such as other EU economies opening up their borders to Eastern European migrants such as Germany). In reality, both flows and stocks of migrant workers will depend on a number of unpredictable external factors, such as political events marking changes in levels of access to the NI labour market (via the points system), the Sterling-Euro exchange rate and rates of development and economic opportunity in current and prospective migrants' home countries.

Figure 8-2: Trend and forecast in Northern Ireland employment, 1992-2016



Source: Oxford Economics UK regional economic forecasting model, Summer 2009. Historical data from DETI and LFS

We have already described how the forecast for average annual job creation is anticipated to slow from around +11,000 per year between 2004-2007 to just +6,000-7,000 per year between 2010-14 (remember part of this period will be the recovery phase). Table 8-3 sets out total employment forecasts for the UK regions, and shows that Northern Ireland is expected to no longer be the stellar performer across UK regions.

Table 8-3: Regional economic prospects in the UK (employment change)

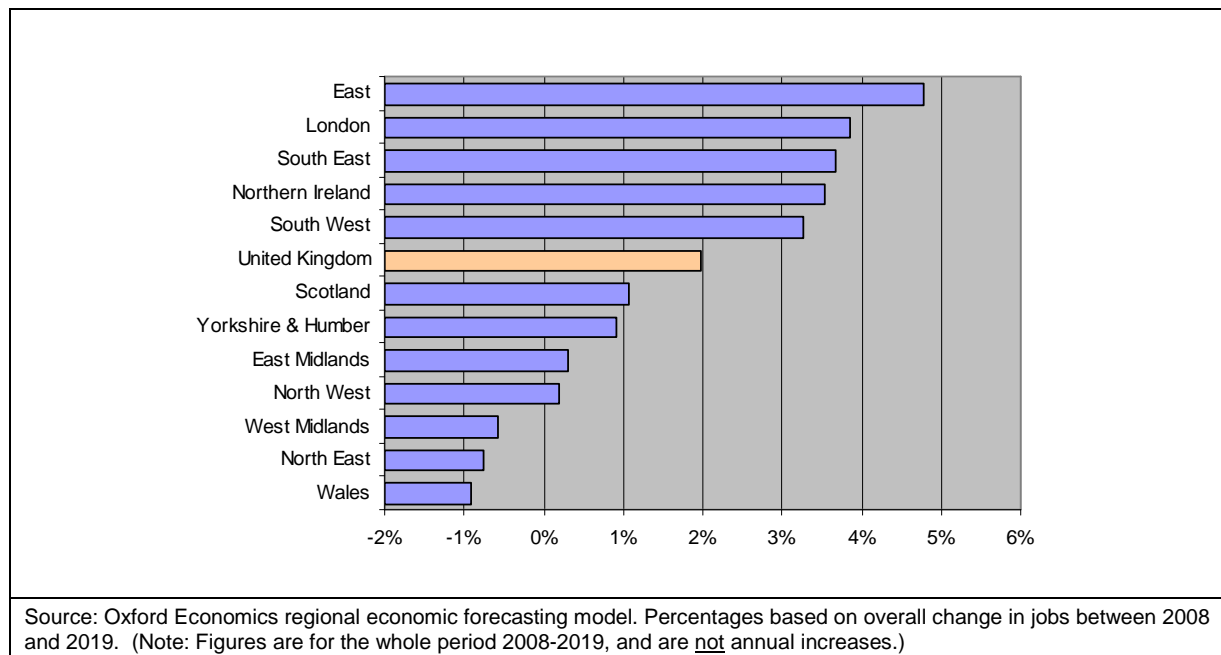
	Change in total employment ('000s)			Annual percentage change (% yr)		
	2008-10	2010-14	2014-19	2008-10	2010-14	2014-19
London	-354	283	253	-3.8%	1.6%	1.1%
South East	-249	239	172	-2.8%	1.4%	0.8%
East	-148	146	137	-2.7%	1.3%	1.0%
South West	-128	99	118	-2.4%	0.9%	0.9%
East Midlands	-119	65	61	-2.8%	0.8%	0.6%
Scotland	-136	80	85	-2.5%	0.8%	0.6%
West Midlands	-149	68	66	-2.9%	0.7%	0.5%
Yorks & Humber	-124	73	75	-2.5%	0.7%	0.6%
North West	-176	88	94	-2.6%	0.7%	0.6%
Northern Ireland	-31	25	37	-1.9%	0.7%	0.9%
North East	-59	22	28	-2.6%	0.5%	0.5%
Wales	-69	22	34	-2.5%	0.4%	0.5%
United Kingdom	-1,743	1,210	1,161	-2.8%	1.0%	0.7%

Source: Oxford Economics regional economic forecasting model, Summer 2009

However, it also shows that the longer-term forecast, for 2015-2019, is more optimistic in NI than in many other regions. In fact, the more rapid rate of job creation in the second half of the next decade

means, as the subsequent Figure 8-3 illustrates, that Northern Ireland actually has one of the brightest prospects for proportionate job creation over the full ten-year period. Even though this still represents a slowdown in relation to recent years of unsustainable, credit-fuelled growth, it shows that **NI could remain amongst the most attractive UK destinations for migrant workers**. (Although this will somewhat depend on the implications of a squeeze in public finances which we may not be fully sure of until the after next UK national elections)

Figure 8-3: Headline employment growth prospects in UK regions over next decade



8.3 Changing regional patterns: a temporary or permanent phenomenon?

The most notable feature of post-2004 migration to the UK has been its geographical spread across the country; no longer is London the only pole of attraction. However, a review of latest WRS data at a UK regional level shows, for perhaps the first time, significant evidence of divergence between the regions in terms of key migrant inflow trends. As illustrated in Figure 8-4, although the decline in registrations between Q3 2007 and Q3 2008 (in parallel to declining economic prospects) was very similar across all parts of the UK, the 10 percent overall rise witnessed since then does not provide an accurate reflection of events in many regions. Significantly, the effect of the UK falling into recession appears to have been a clear move back towards the ‘London-centricity’ of migrant worker inflows.

Certainly a regional comparison of average quarterly A8 inflows during the peak of UK economic growth (2006-2007) and the subsequent recession period shows a major disparity between London, where inflows remain at 83 percent of their peak, and most other parts of the UK where they have roughly halved. This comparison, with regions ranked according to the proportion of peak inflows they are still witnessing, is illustrated in Table 8-4. The regions where A8 inflows have dropped off most noticeably during the recession include the North East, West Midlands, North West and Wales.

It is notable that A8 worker inflows to Northern Ireland recovered strongly in the six-month period to March 2009, if not quite to the same extent as London then certainly much more so than the other UK

regions (but by no means back to peak levels still). However, NI is clearly amongst those regions seeing a much lower rate of inflow than at its peak in 2007 – whether its recent recovery in rates of A8 inflow will quickly reverse this remains to be seen. From our employer survey, undertaken in May 2009, it seems that migrant workers are being used more than ever, and given the important role of informal social networks in driving flows, high overall stock levels should probably continue to support growing rates of inflow for the foreseeable future.

Figure 8-4: Decline and rise in WRS applications by UK region, 2007-2009

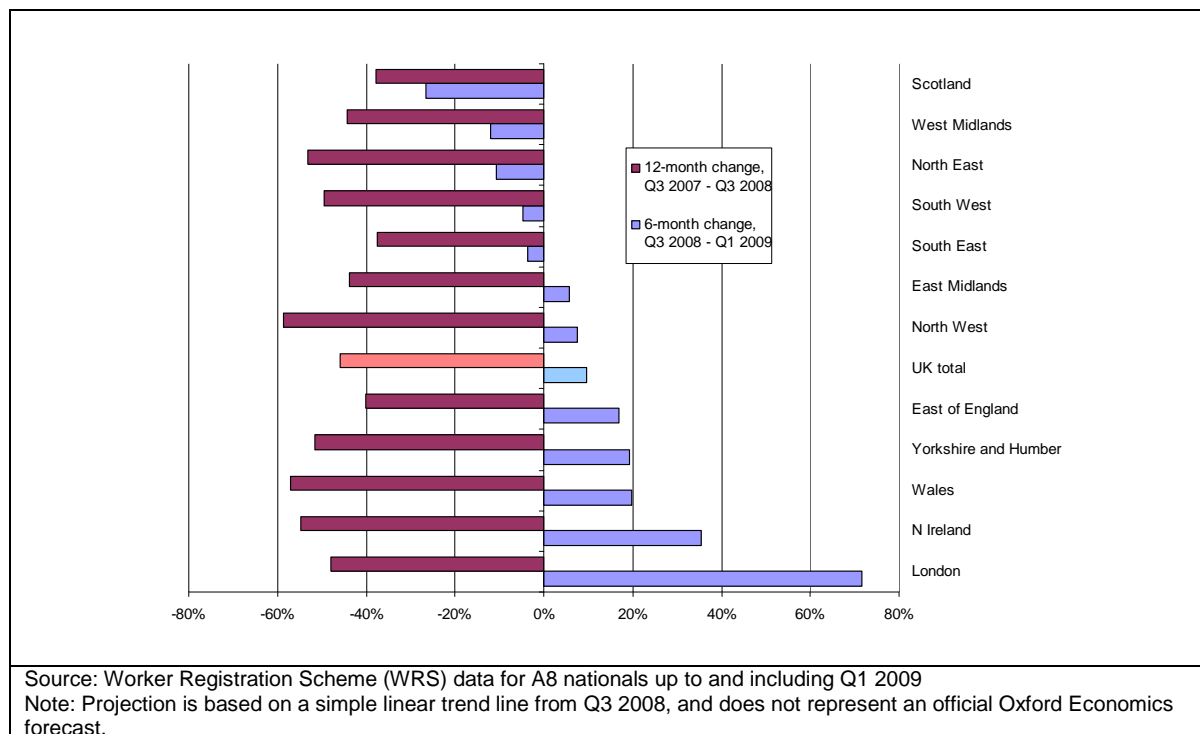


Table 8-4: Regional WRS inflows under economic growth and recession

	'Boom time' average quarterly A8 inflow (Q3 2006 – Q3 2007)	Recession average quarterly A8 inflow (Q4 2008 – Q1 2009)	Percentage of peak A8 migration still witnessed
London	7,100	5,900	83%
East of England	6,300	4,300	69%
South East	7,100	4,300	62%
UK total	56,100	33,500	60%
East Midlands	6,100	3,600	60%
Yorkshire and Humber	4,800	2,800	58%
Scotland	5,200	2,900	55%
South West	4,500	2,500	55%
N Ireland	2,200	1,200	54%
North East	800	400	50%
West Midlands	5,200	2,400	47%
North West	5,200	2,400	47%
Wales	1,800	800	44%

Source: Worker Registration Scheme (WRS) data for A8 nationals up to and including Q1 2009

8.4 Economic risks and the skills dilemma

Our work on what we term the ‘migrant intensity’ of sectors has already identified several areas of the Northern Ireland economy where dependence on migrant workers is relatively high. These include parts of the manufacturing sector, construction and the hospitality industry. Inevitably, this does bring associated risks to long-term economic performance and prosperity, most notably in the form of vulnerability to a sudden, unpredicted outflow of migrants but also through masking the long-term skills needs of the economy. Our recent work for CLG²³ has established that **in reality, a sudden outflow of migrants in key sectors is unlikely** since there are strong links between the economic appeal of the UK as a host country, employment prospects in the pro-cyclical sectors in which migrants most commonly work and demand for the goods and services these sectors provide.

Nevertheless, migrant dependency is clearly an emotive subject - and the UK is still vulnerable given the weakness of Sterling and tightening of immigration policy if it resulted in too few migrants (though the points system does not apply to A8 workers) – and it still presents a number of relevant economic and social implications. From a strategic perspective, sector representatives may at least want to incorporate these into longer-term growth and skills strategies. From Oxford Economics’ own knowledge of the NI Sector Skill Council literature, the potential contribution of migrants is not particularly well incorporated, particular in a sector such as ICT (e-Skills SSC) which has a falling domestic supply of ICT graduates and identified skill shortages.

Despite what employers report in our survey for this study, there remains fairly clear evidence that most UK regions, including Northern Ireland, are employing migrant workers in positions well ‘below’ their actual skill and qualification levels. Recent studies, for instance in the West Midlands (Green *et al*, 2007), have recommended investigating how migrant workers could be moved ‘up’ the value chain to enable regional economies to reap the full benefit of their skills, especially as many regions complain of having skill deficiencies. Potentially this challenge represents an important economic opportunity for all UK regions, particularly if migrant workers’ economic role is likely to remain significant. In Northern Ireland, an economy that aspires to develop higher-value, knowledge-intensive sectors and grow trade links with the rest of the world, and which has the advantage of a high quality physical environment to help attract migrants to settle in the longer term, the opportunity is perhaps even more significant.

8.5 Firms’ recruitment plans and preferences

Interestingly, qualitative responses in our business survey uncovered evidence of a fairly **deep-rooted sense of ‘loyalty’ to native workers on the part of many employers**. It seems that in no shortage of cases, NI employers would choose to employ a native worker in preference to a migrant given candidates of equal ability. However, complaints of basic skill shortages (for example interpersonal skills) and attitude problems, a mismatch between the NI training and higher education offer and employers needs, and frustration at the lack of incentives to work created by a perceived ‘benefits culture’ mean that employers usually reported little option but to employ migrants to fill the gap in labour supply.

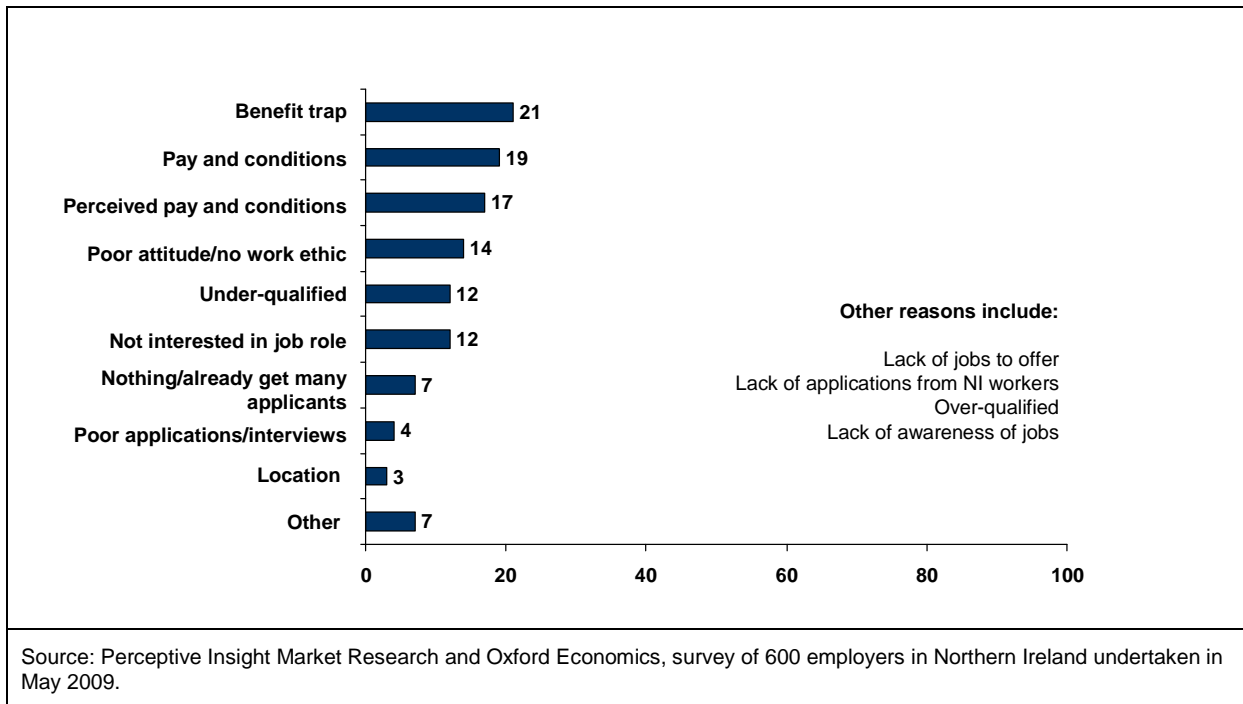
This largely pragmatic view – that migrants are employed to fill a gap created by an inadequate supply of native workers – appears to characterise the opinions of many NI employers on the subject of immigration. The full extent of its implications varies significantly: in some cases, employers report

²³ Oxford Economics (2009a; 2009b)

actively recruiting in eastern Europe due to the rising pressures of satisfying labour demand and the high quality of migrant workers previously employed. Organisations are often highly cautious about employing non-EU nationals due to the extent of the paperwork involved but the ease of access to UK labour markets provided by EU accession has clearly made eastern European labour a highly attractive option for many employers.

In our survey, 37 percent of Northern Ireland employers reported difficulties in recruiting native-born workers to fill vacant positions in their organisation. The most common reasons for this (illustrated in Table 8-5) were said to be the so-called 'benefits trap' and unappealing pay and conditions, whether in reality or merely perception. These explanations would support the notion that any labour market displacement caused by migrant workers has largely been 'voluntary' in nature, with native workers seemingly rejecting the job opportunities on offer in favour of either long-term benefit dependency or ongoing job search. This also supports the view that migrants have played a key role in filling labour shortages in the NI economy.

Table 8-5: Reasons for difficulties in recruiting native-born workers in Northern Ireland



Our survey evidence clearly indicates that Northern Ireland employers value their migrant workers and, if native workers remained unsuitable, that they would not hesitate to employ more of them. Looking beyond the medium-term recessionary period, just 9 percent of organisations were confident they would be employing less migrant workers than at present. However, this sentiment did not prevent employers from voicing a perhaps surprising view that migrant access to the NI labour market should not be made simpler: in fact, just 16 percent took this view, while 43 percent actually stated it should be made harder.

Box 8-1: Views of employers on reforming the immigration system

“Jobs should ideally go to NI workers, money stays in the country”

“Our own country is struggling at the minute”

“In the present climate I think local workers here should be given a fair chance”

“Give jobs to locals first when necessary”

“In two minds – there are a lot of unemployed people here but at the same time nobody wants to work”

“Our own citizens aren't getting jobs because of migrants”

“Only thing I would introduce would be English exams to ensure a basic level of English”

“Plenty of British workers still looking for work at moment – migrants are in those positions”

Source: Oxford Economics consultations

Evidence on the recruitment of migrant workers in Northern Ireland, and on employers' recruitment preferences, is somewhat mixed but overall points to a continuation of relatively high rates of migrant intensity in many sectors. Migrant inflows may slow in line with more sustainable economic growth rates, but in the absence of major improvements to the stock of native human capital, it is difficult to envisage the economic role played by migrants in NI getting considerably smaller.

9 Conclusions and Policy Implications

Introduction

Here we present a summary of key findings from the preceding chapters, and suggest a number of economic and skills policy implications for DEL and wider stakeholders to consider.

9.1 Key findings from the study

Our research has allowed us to draw the following broad conclusions:

- The large-scale arrival of migrant workers into Northern Ireland has been a **very recent phenomenon**: NI has one of the highest concentrations of ‘new’ migrants (post-2004 arrivals as a proportion of the total population) of any UK region, and many employers (at the time of our business survey) report employing more migrants in 2009 than they ever have;
- Geographically, migrant workers are **dispersed across NI though not evenly**: the highest absolute numbers are in Belfast and Dungannon, but the highest concentrations, as a proportion of total population, are found in Dungannon, Craigavon and Newry & Mourne;
- Migrants represent a significant share of the workforce, an estimated **37,000 or just under 5 percent of total people-based employment, of which 21,000-25,000 are post-2004 arrivals**. Sectorally the highest concentrations are in hotels & restaurants (16 percent) and manufacturing (10 percent);
- In general, migrant workers in NI fit the popular profile of being **young, hard-working and over-skilled for their jobs**, with an interest in improving their English skills and a short-term focus on maximising hours and earnings before returning home;
- We find that migrant workers have **generally filled labour rather than skill shortages**: though some are in higher or middle-tier occupations, particularly in healthcare and construction, in most cases they have helped facilitate rapid rates of economic expansion by filling lower-skilled jobs, including those native workers ‘no longer want’;
- As in the rest of the UK and ROI, there has been strong evidence of so-called ‘**occupational segregation**’ between natives and migrants, meaning that, at least during the recent years of economic growth, the involuntary displacement of native employment appears to have been minimal;
- Employers report **strong on-the-job performance** from migrant workers, with both overall performance and reliability comparing very favourably to their native counterparts;
- The firm-level impacts of migrants have been felt in terms of both performance and survival: no fewer than **a third of employers say migrants have been important for company survival**, and there is evidence that certain sectors, most notably elements of food processing, could have disappeared entirely from NI in the absence of available migrant workers (though this may potentially have slowed the pace of economic transformation towards a higher value-added economy);

- Perhaps as a result of their frequently short-term focus, migrant workers are rarely trained beyond basic or statutory minimum requirements; they do not create additional training opportunities for native workers, and there is concerning evidence that their availability is **masking flaws in NI's (and indeed the UK's) vocational and youth training systems**, particularly in the skilled trades such as construction (though employers may need to take equal responsibility for this);
- Future migrant flows and stocks are difficult to predict: the recession is having a short-term impact, but beyond this the signs indicate that **NI could remain a popular migrant destination** within the UK;
- Despite being critical of their performance and work ethic, most employers display a **surprising loyalty towards NI-born workers**, and actually recommend that access to the NI labour market is made more difficult for migrants in the future.

9.2 Policy issues for consideration

Based on our review of evidence, DEL and partners may wish to consider the following issues in policy formulation:

- The need to support native workers from involuntary displacement during the recession, by improving access-to-work support;
- The likelihood that migrant workers will remain an important part of the NI economy for the foreseeable future, and the need to prepare labour market and other public services for this, as well as promote integration through English language courses;
- The need to be sensitive to the realities of a greater number of natives out of work during and post recession and the sentiment this could generate towards migrants;
- The opportunity, as identified here and in other UK regional studies, to maximise the long-run economic potential of migrant labour by promoting opportunities for migrant workers to use their skills and qualifications, help stimulate knowledge-based sectors and grow international trading links – but making sure the jobs they might leave (in which they are currently employed) can be filled by native or new incoming migrants;
- The potential for migrant worker availability to mask the need for reform in vocational and youth training, particularly in the skilled trades;
- The highly short-term approach of the majority of migrant workers to their jobs, and the potential skills gaps this is creating in middle-tier supervisory occupations in some sectors as opportunities for upward progression through on-the-job development are restricted;
- The potential opportunity, through positioning NI as a friendly and attractive destination for migrant workers, to attract more highly skilled migrants to NI to play a role in the development of higher value sectors and fill genuine 'higher-end' skills gaps, for example in healthcare, ICT, engineering etc;



- The clear loyalty of many NI employers to native workers, and the need to balance the opportunities this presents for tackling worklessness with the wider benefits migrants bring;
- The potential to publish the findings from this and other studies as evidence for ministers – opening the debate to discussion now we have more than anecdotal evidence on the impacts of migrant workers, and even attempting to ease potential growing anti-migrant sentiment amongst sections of the public;
- The opportunity to explore cross-departmental publicising of results – the impact of the benefit trap (and the need to address it), the overall impact on housing demand, spatial patterns and challenge that local labour must meet are important messages for DRD, DETI, DE and DSD; and
- The key uncertainties, as explained in this study, over the likely impact of the recession on migrant worker stocks – we would recommend meeting over the next six months with representatives of the most migrant-intense sectors to determine whether the recession is having any particular short-term pressures that the department could help to address (for example in the hotels and restaurants sector).

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Appendix B Survey of Employers: Questionnaire Used

Department for Employment and Learning – Migrant Workers Study March 2009

ASK FOR MD/CEO/OWNER/FD/ HR Director

Good morning/afternoon. My name is _____ and I am calling on behalf of the market research company, Perceptive Insight. We are conducting a study on behalf of the Department for Employment and Learning. The aim of the study is to provide an understanding of the economic, labour market and skills impact of migrant workers.

We would appreciate if we could have just 10 to 12 minutes of your time to answer some questions.

Firstly, we are aiming to talk to a wide spread of businesses across Northern Ireland.

RECORD COMPANY ID NUMBER: _____

Q1 Do you currently or have you previously in the past 12 months employed migrant workers, including employment agency migrant workers? By the phrase 'migrant workers' we mean any person born outside the UK and Republic of Ireland who is in Northern Ireland to seek or take up work

Yes	1	Continue Close
No	2	

Q2 Can you tell me, how many employees do you have in Northern Ireland?

(if respondent has part-time staff ask them to estimate the number of full-time equivalents)

None	CLOSE
Self employed	CLOSE
1-2	1
3-9	2
10 to 24	3
25-50	4
51 to 100	5
101 to 250	6
More than 250	7
Don't know	8

Q3 Which of the following sectors best describes the main activity of your business?

CODE ONE ONLY

Agriculture	1
Manufacturing:	
Food processing and drink	2
Textiles and clothing	3
Chemicals	4
Rubber and plastic products	5
Metals	6
Electronics	7
Transport equipment	8
Other manufacturing, specify	9
Construction	10
Service:	
Hotels, restaurants and catering	11
Retail	12
Wholesale	13
Transport, distribution and logistics	14
Finance, banking , insurance	15

Computer related activity	16
Business consultancy/services	17
Public administration	18
Health	19
Education	20
Other service, specify	21
Other (please specify)	22

Section A: Company background

A1 In which council area is your establishment located? CODE ALL THAT APPLY

Antrim Borough Council	1	Down District Council	14
Ards Borough Council	2	Dungannon and South Tyrone Borough Council	15
Armagh City and District Council	3	Fermanagh District Council	16
Ballymena Borough Council	4	Larne Borough Council	17
Ballymoney Borough Council	5	Limavady Borough Council	18
Banbridge District Council	6	Lisburn City Council	19
Belfast City Council	7	Magherafelt District Council	20
Carrickfergus Borough Council	8	Moyle District Council	21
Castlereagh Borough Council	9	Newry and Mourne District Council	22
Coleraine Borough Council	10	Newtownabbey Borough Council	23
Cookstown District Council	11	North Down Borough Council	24
Craigavon Borough Council	12	Omagh District Council	25
Derry City Council	13	Strabane District Council	26

Section B: Extent of employment of migrant workers and migrant profile background

We would like to understand a little about the extent to which you employ migrant workers

B1a Approximately how many migrant workers do you currently employ?

B1b What is the highest number of migrant workers you have employed at any one time in recent years?

B1c When did you employ the highest number of migrant workers?

Month	Year
<input type="text"/>	<input type="text"/>

IF RESPONDENT HAS NO MIGRANTS CURRENTLY, ASK THEM TO RESPOND TO THE FOLLOWING QUESTIONS BASED ON THE TIME WHEN THEY HAD THE HIGHEST NUMBER OF MIGRANT WORKERS



B2 Approximately how many migrant workers are (were) employed in the following occupations ...
RECORD ZERO IF NO WORKERS IN A PARTICULAR OCCUPATION CATEGORY.

Managers	
Professionals	
Administrative & secretarial	
Skilled trades	
Personal service, sales and customer service	
Plant and machine operatives	
Manual	

B3 I am now going to read you a list of regions. For each could you please state the approximate number of migrant workers from that region. READ OUT IN TURN (REFER TO REFERENCE CARDS).

<p>EU15 That is the number of member countries in the European Union prior to 1 May 2004 Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom</p>	
<p>A8 countries That is those countries that joined the European Union prior at 1 May 2004 Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia</p>	
<p>A2 countries That is those countries that joined the European Union in 2007 Bulgaria, Romania</p>	
Non-EU	

B4 To your knowledge, when did your organisation first employ migrant workers?

Before 2000	1
2001-2004	2
2005-2007	3
After 2007	4
Don't know/not sure	5

B5 To what extent, if at all, were each of the following reasons a factor in your decision to recruit migrant workers?
CODE ALL THAT APPLY

	A large extent	A little extent	Not at all
To address labour shortages	1	2	3
To address skill shortages	1	2	3
A reduced cost associated with employing migrant workers	1	2	3
A positive work ethic and attitude of migrant workers	1	2	3
Other – specify	1	2	3

B6 What percentage of your migrant workers are (were) educated to university degree level or higher? %



Section C: Employment arrangements for migrant workers

C1	What contractual arrangements are (were) most of your migrant workers employed under? CODE ONE ONLY	Permanent contract	1
		Temporary contract	2
		Agency contract	3

C2a	Has recruitment of migrant workers allowed your firm / organisation to reduce employment costs?	Yes	1	Continue
		No	2	

C2b If answer to C3a is yes, please explain how

C3	In general, do (did) migrant workers tend to stay shorter or longer in your firm / organisation compared to NI workers in a similar job?	Shorter	1
		Little difference	2
		Longer	3
		Don't know/not sure	4

C4	In the main, where have the majority of migrant workers who have left your business gone to?	Back to their native country	1
		Into another job in NI	2
		Into another job in ROI or GB	3
		Onto social security benefits and remained in NI	4
		Don't know/not sure	5
		None have left yet	6

C5	Compared to indigenous NI workers, are (were) migrant workers in your organisation employed in more senior roles, less senior roles or is there little difference?	More senior	1
		No difference	2
		Less senior	3
		Don't know/not sure	4

C6a	Overall, what proportion of your migrant workers are (were) employed in jobs with lower skill requirements than the skills level they actually possess? Would you say....None	1	Go to Section D
		A few	2	
		Some	3	
		Most	4	
		All	5	
		Don't know	6	

C6b	Where higher skilled migrant workers have been employed in jobs with lower skill requirements, has employing these migrant workers brought other benefits to your business?	Yes	1	Continue	
		No	2		Go to Section D
		Don't know/not sure	3		



C6c What benefits have there been to your business?

Section D: Training of migrant workers

D1	What training does / did your firm / organisation provide to migrant workers? CODE ALL THAT APPLY	General induction training	1
		Health & safety	2
		English language	3
		On-the-job training	4
		External training	5
		Other – specify	6

D3	Do migrants receive more / less training than indigenous workers in a similar job ...	More training	1
		Approximately same training	2
		Less training	3
		Don't know/not sure	4

D3	Has job training in general within your firm / organisation reduced since employing migrant workers (excluding training specifically tailored to migrants joining) ...	A lot	1
		A little	2
		No change	3
		Training has increased	4

Section E: Impacts on labour market opportunities

E1a	Do you find it difficult to recruit suitable local workers?	Yes	1
		No	2
		Don't know/not sure	3

E1b	Do you find it difficult to retain suitable local workers?	Yes	1	Continue Go to F1 Go to F1
		No	2	
		Don't know/not sure	3	

E2	What, if anything, do you feel is preventing more indigenous NI workers from applying for and being offered jobs in your organisation? DO NOT PROMPT CODE ALL THAT APPLY	Under-qualified	1
		Over-qualified	2
		Lack of awareness of jobs	3
		Benefit trap	4
		Pay and conditions	5
		Perceived pay and conditions	6
		Poor application forms/interviews	7
		Other – please specify	8
		Nothing/already get many applicants	9



Section F: Impacts on the Northern Ireland economy

F1 Compared to indigenous NI employees, in general how would you rate migrant workers in relation to each of the following

PROBE TO PRECODE		Migrant workers are significantly worse	Slightly worse	No different	Slightly better	Migrant workers are significantly better
a	Ease of recruiting	1	2	3	4	5
b	Professional experience	1	2	3	4	5
c	On the job performance	1	2	3	4	5
d	Reliability	1	2	3	4	5
e	Standard of their skills	1	2	3	4	5
f	Attitude to work	1	2	3	4	5

F2a	What impact, if any, has the availability and recruitment of migrant workers made on your profitability ? Would say it has...	Decreased profitability a lot	1	Go to F3a
		Decreased profitability a little	2	
		Made no change to profitability	3	
		Increased profitability a little	4	
		Increased profitability s a lot	5	
		Don't know/not sure	6	

F2b Why do you say that?

F3a	What impact, if any, has the availability and recruitment of migrant workers made on your productivity ? Would say it has...	Decreased productivity a lot	1	Go to F4a
		Decreased productivity a little	2	
		Made no change to productivity	3	
		Increased productivity a little	4	
		Increased productivity s a lot	5	
		Don't know/not sure	6	

F3b Why do you say that?

		Yes	No	Not sure	
F4a	If migrant workers had not been available, how would it have affected your company? Would it have... READ OUT IN TURN	...Made no difference IF YES GO TO F4a	1	2	2
	Would the company have relocated	1	2	2	
	Would the company have invested more in machinery and equipment	1	2	2	
	Would the company have invested more in training of the existing workforce	1	2	2	
	Would the company have been less profitable but would still have existed	1	2	2	

	Would it have closed	1	2	2
F4b	Is the availability of migrant workers important for the survival and success of your establishment in the long term?	Yes	1	
		No	2	
		Don't know/not sure	3	
F5	What do you consider to be the main difficulties employing migrant workers ...	Communication	1	
		Extra costs due to training	2	
		Extra HR costs	3	
	CODE ALL THAT APPLY	Lower quality customer service	4	
		Other – please specify	5	

Section G: Migrant outlook

G1	Thinking ahead over the next year, do you think you will have a similar proportion, a higher proportion or a lower proportion of migrant workers in your workforce?	Similar	1
		Higher proportion of migrant workers	2
		Lower proportion of migrant workers	3
		Don't know/not sure	4
	READ OUT IN TURN		
G2	And looking beyond the medium-term recessionary period, how many migrant workers do you plan to employ in the future?	The same number as now	1
		Less than now	2
		More than now	3
		Don't know/not sure	4
G3	How do you feel the change in UK migration policy, to a points based system, will affect your ability to recruit migrant workers?	Will not affect ability at all	1
		Will affect ability a little	2
		Will affect ability a lot	3
		Have no plans to recruit migrant workers	4
	INTERVIEWEES WILL HAVE A REFERENCE CARD ON THE POINTS-BASED SYSTEM	Don't know/not sure	5
G4	Looking ahead 4 to 5 years, do you expect the flow of migrants into Northern Ireland to remain at a similar level, to be relatively higher or relatively lower, compared with the last 2 to 3 years?	Relatively higher	1
		Remain the same	2
		Relatively lower	3
		Don't know / not sure	4
G5a	If you were able to influence government policy, would you recommend that immigration policy makes it more or less easy for international migrant workers to gain access to the NI labour market?	Make it more easy	1
		Make it less easy	2
		Would not change it	3
		Don't know/not sure	4



G5b Please explain your response to G5a

Thank you for completing the study...

Would you be willing to be re-contacted by Perceptive Insight to clarify any aspect of this interview or take part in any future business surveys?

Yes – clarify interview	1
Yes – take part in future surveys	2
No	3

IF YES

RECORD CONTACT NAME _____

RECORD CONTACT POSITION _____

RECORD COMPANY NAME _____

RECORD DIRECT TELEPHONE NUMBER _____

RECORD EMAIL ADDRESS _____

THANK AND CLOSE

I declare that this interview was conducted within the Market Research Society's Code of Conduct and according to instruction and that the respondent was unknown to me. I understand that all information given to me must be kept confidential.

Signed _____

Appendix C Survey Sample Composition

	Target no of interviews	Actual number of interviews	Actual % target
Industry			
Manufacturing	150	155	103%
Construction	100	101	101%
Hotels and catering	100	100	100%
Retail	50	52	104%
Health and social work	50	50	100%
Finance & IT	30	15	50%
Wholesale	30	31	103%
Transport	30	24	80%
Agriculture	30	19	63%
Public admin	30	26	87%
Other services	N/A	22	-
Other	N/A	7	-
Business size (no. of employees)			
1 to 9	100	64	64%
10 to 24	150	158	105%
25 to 50	200	202	101%
More than 50	150	178	119%
Geography			
Greater Belfast	200	208	104%
Rest of NI	400	394	99%
Total	600	602	100%

Source: Perceptive Insight Market Research

Appendix D The Rights of Migrant Workers in Northern Ireland

Following the accession of several countries into the EU in the last 5 years the UK Borders Agency has introduced 4 different categories of migrants. These categories and their respective countries include:

- **EU – 17 EEA and Switzerland:** Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Portugal, Rep of Ireland, Spain, Sweden, Switzerland
- **A8 Countries:** Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia and Slovakia
- **A2 Countries:** Bulgaria and Romania
- **Non-EU/non-EEA:** all those countries not within the European Union or the European Economic Area, including Commonwealth countries.

Whilst there are some minor variations between each of the different categories, all migrant workers are typically aligned to the same basic rights. The most notable difference is that pertaining to non EU/non-EEA workers whom don't have access to the same social security and benefits that most EU/EEA citizens gain immediately or at least within a year of continuous employment.

Non-EU/non-EEA migrant workers must in most cases apply for a visa, therefore they are subjected to certain conditions such as limiting the period of employment within the UK and/or minimising the benefits which they may or may not be entitled to.

In most circumstances non-EU/non-EEA migrant workers do not have recourse to public funds and therefore must forego benefits such as attendance allowance, income based job seekers allowance and child tax credits.

The basic employment rights which all migrant workers are entitled to include:

- To be paid National Minimum Wage
- Not to have unlawful deductions made from their pay
- To receive an itemised payslip each time they are paid, showing their earnings and any deductions such as tax
- Working hours and holidays in line with working-time laws
- Not to be lawfully discriminated against
- To join a trade union
- To health and safety protection
- Rights relating to pregnancy

- The right to be paid Statutory Sick Pay

The tables below provide an overview of the ‘rules’ pertaining to the four categories of migrant workers, such as;

- Requirement of a work permit;
- Type of permit required;
- Length of stay;
- Right to residency;
- Recourse to public funds;
- Dependants rights; and
- Conditions of entry.

EU 17 – EEA Workers (including Switzerland)

Work Permit Required	No
Type of Work Permit Required	N/A
Length of Stay	No Limit
Right To Residency	Yes
Recourse to Public Funds	Yes
Dependant’s Rights	EEA Family Permit Required if family members are non-EEA, other than this immediate family have right to live in U.K.
Conditions	EU-17 and EEA members must be able to support themselves and their families in the UK without becoming an unreasonable burden on public funds

A8 Workers

Work Permit Required	No
Type of Work Permit Required	N/A
Length of Stay	No Limit
Right To Residency	Yes
Recourse to Public Funds	Yes (after 12 months continuous employment within the Worker Registration Scheme)
Dependant's Rights	EEA Family Permit Required if family members are non-EEA, other than this immediate family have right to live in U.K.
Conditions	<p>A8 members must be able to support themselves and their families in the UK without becoming an unreasonable burden on public funds</p> <p>Upon taking employment A8 workers need to register under the Worker Registration Scheme (WRS)</p> <p>In general no access to public funds for the first 12 months of continuous employment</p> <p>Obligated to amend their registration under the WRS every time they change their employer within the first year. Failure to make such an amendment will result in a break in registered employment for the purpose of calculating the 12-month period required for access to public funds</p> <p>After the first 12 months of continuous employment A8 workers can access social security benefits and welfare on par with other EU nationals</p>

A2 Workers (Bulgaria and Romania)

Work Permit Required	Yes
Type of Work Permit Required	<p>Permits (Accession Workers Cards) are issued to those working in Sector Based Schemes (mainly food processing) and Seasonal Agricultural Workers Scheme (SAWS) (agriculture and fisheries)</p> <p>Other permits issued to those who meet the skills requirements of the Point Based System (PBS), particularly the Highly Skilled Migrant Programme</p> <p>Permission is not needed for those working in a self-employed capacity</p>
Length of Stay	No Limit
Right To Residency	Yes
Recourse to Public Funds	Yes (After 12 months continuous employment within the Accession Workers Scheme or Highly Skilled Migrant Programme)
Dependant's Rights	EEA Family Permit or family member residence stamp required if family members are non-EEA, other than this immediate family have right to live in UK
Conditions	<p>EU-17 and EEA members must be able to support themselves and their families in the UK without becoming an unreasonable burden on public funds</p> <p>If a worker is found to be highly skilled migrant they may be exempt from worker authorisation. However they will need to apply for a registration certificate. This assessment is made by the PBS. The PBS is an assessment on the skill level of migrant workers. It assesses their qualifications, previous earnings, UK experience and age. If an applicant scores above 75 they are entitled to work in the UK</p>

Non EU/ non-EEA Workers

Work Permit Required	Yes
Type of Work Permit Required	<p>4 Different Tiers Available – Points Based System (PBS)</p> <p>Tier 1 – General Migrant</p> <p>Tier 1 – Post-Study Workers</p> <p>Tier 1 – Entrepreneurs</p> <p>Tier 1 – Investors</p> <p>Tier 2 – Skilled Worker</p> <p>Tier 5 – Temporary Worker</p> <p>Tier 5 – Youth Mobility Scheme</p> <p>Tier 4 – General and Child Student</p> <p>.(Tier 1 General Migrant replaced HSMP Highly Skilled Migrant Programme)</p>
Length of Stay	<p>Tier 1(General Migrant)- 2 years</p> <p>Tier 1 (Post-Study Workers) – 2 years</p> <p>Tier 1 (Entrepreneurs) – 2 years</p> <p>Tier 1 (Investors) – 2 years</p> <p>Tier 2 - Maximum length of Visa – 3 years and 1 month or the period given in the Certificate of Sponsorship plus 1 month, whichever is shorter.</p> <p>Tier 5 (Temporary Worker) – 12 -24 months unless employed in diplomatic households or overseas governments in this case up to 6 years</p> <p>Tier 5 (Youth Mobility Scheme) – 2 Years</p> <p>Tier 4 – Dependant on length of course and agreement with sponsor</p>
Right To Residency	No (residency only granted when permit obtained)

Recourse to Public Funds	No (For the entire time the permit is issued for)
Dependant's Rights	<p>A husband, wife, civil partner or eligible partner and children under 18 can join as dependants in the UK if:</p> <ul style="list-style-type: none"> • they have a visa for this purpose and • They can be supported without any help from public funds. £533 is needed for each dependant in the United Kingdom. <p>For a Tier 1 (General Migrant) worker, Tier 1 (Post-Study Worker) and Tier 1 (Entrepreneur) though Dependants can join if:</p> <p>They can be supported without any help from public funds. £1,600 is needed for each dependant joining you within 12 months of your arrival in the UK and £533 thereafter</p> <p>For Tier 1 (Investor) the dependant(s) are required only to have the correct visa</p> <p>Spouses or partners of Youth Mobility Scheme (YMS) participants may not enter the UK as dependants but may enter if they qualify and obtain entry clearance in their own right under the YMS or qualify for entry in another capacity</p>
Conditions – Sponsorship	<p>Tier 1 – No Sponsor Required</p> <p>Tier 2 – Sponsorship Required from a UK based organisation</p> <p>Tier 5 (Temporary Worker) - Sponsorship Required from a UK based organisation</p> <p>Tier 5 (Youth Mobility Scheme) - Sponsorship Required the National Government of Worker</p> <p>Tier 4 – Sponsorship Required from the education provider offering the applicant a place on a course of study in the United Kingdom</p>
Conditions – Finance	<p>Applicants must show that they have the funds to support themselves and dependants.</p> <p>Tier 1(General Migrant) Tier 1 (Post-Study Worker) and Tier 1 (Entrepreneur) – main applicant £2,800 with a further £1,600 for each dependant within the first 12months. £533 thereafter.</p> <p>Tier 1 (Investor) - 1 million pounds required to be either</p>

	<p>available from an approved FSA institution, or own personal funds. Or 2 million pounds of personal assets, including liabilities.</p> <p>Tier 2 - main applicant £800 and a further £533 for each dependant accompanying the worker.</p> <p>Tier 5 – (Temporary Worker) – As above</p> <p>Tier 5 – (Youth Mobility Scheme) – Funds not less than £1600 are required</p> <p>Tier 4 – The maintenance amount for the main applicant is calculated at £800 per month if intending to study in the Inner London and £600 per month if intending studying elsewhere. For courses of up to 9 months duration it will be required to show that the full tuition fee plus the appropriate monthly amount for each month intending to be in the UK are available.</p>
<p>Conditions</p>	<p>The Points Based System varies from Tier to Tier, but some of the elements it will examine include</p> <ul style="list-style-type: none"> • Age; • Qualifications; • Previous earnings • UK experience.

Appendix E Note on Migration Data Sources

We describe below some of the key strengths and weaknesses of the main data sources used in this report, drawing on the Local Government Association migration statistics resource guide published by Green *et al* (2008).

Data source	Strengths (+)	Weaknesses (-)
Worker Registration Scheme	Provides quarterly data on A8 migrant inflows broken down by a range of sub-categories, available within 2-3 months of end of relevant quarter	The self-employed are not required to register; an unknown amount of people do not register; and there is no requirement to de-register when leaving the UK
Annual Population Survey	Leading up-to-date sample survey of population, providing detailed demographic and spatial breakdown of population with time lag of less than one year	Sample surveys by nature incur reduced reliability and representativeness of total population; issues around weaker coverage of short-term residency
National Insurance numbers allocated to overseas nationals	Provides data on age, gender and nationality of all non-UK nationals working <i>legally</i> in UK	No coverage of illegal migration; no information on out-migration flows
Work permit allocations	Data on age, gender, sector, occupation and nationality of non-European Economic Area migrants in employment; local authority estimates available	Workplace-based data only, since permits are applied for by employers
Census of Population	Most comprehensive population data available; aims for full coverage of UK population	Data updated only every 10 years; most recent data is for 2001, and so fails to take account of A8 migrant stock
International Passenger Survey	The only source which measures flows of people entering <i>and</i> leaving the UK; therefore the key source of ONS estimates of international migration	Sampling issues undermine reliability; relies on face-to-face interviewing and truthful responses to questions
Schools Census	Can provide data on settlement patterns of migrants with school-age children; all pupils covered via electronic return from schools	Covers ethnicity and first language but not nationality; obviously does not cover migrants without or with pre-school-age children
Annual Business Inquiry	Provides most detailed data on employment by sector and occupation	Data based on 'paypoints', i.e. registered address of employer rather than branch; does not include self-employment
Oxford Economics macroeconomic and UK regional forecasting models	One of most sophisticated econometric forecasting models in UK, constantly updated by teams of highly-qualified staff	Like all forecasting tools, relies on assumptions of future economic landscape in relation to the past; cannot account for unpredicted external shocks
Home Office Accession Monitoring Reports	Useful synthesis of data on in-migration by A8+2 nationals	Relies on WRS data for A8 nationals; particularly unreliable for Bulgarian and Romanian migrants

Appendix F Consultation Process and Findings

Evidence from consultations

The consultation stage of the research was intended to collect information on the views and experiences of employers and other key stakeholders in touch with migrant workers in Northern Ireland. Building upon the survey results and LFS analysis and given the sensitivity of the topic, the consultation stage, which consisted of in-depth interviews, was important to delve more deeply into some of the key labour market, economic and skills impacts pertaining to migrant workers in NI.

The consultations focussed specifically on a number of key themes, including:

- The level of migrant density across sectors;
- Characteristics of a typical migrant;
- Employers' recruitment preferences;
- Economic impact of migrants;
- Labour market impact of migrants;
- Skills impacts of migrants;
- Negative impacts of migrants;
- Impact of the recession; and
- Thoughts on future migrant flows.

As an overview this annex is intended to document the consultation process in detail and to present the key messages received from consultees, which are also integrated into the main report. This section of the research highlights all of the key issues pertinent to the impact of migration on the NI economy from the point of view of local industry and sector organisations, firms, employee groups, local authorities and other key stakeholders.

Consultation programme

The consultations were carried out between March and May 2009 and included interviews with local industry, firms, employee groups, local authorities and other key stakeholders (see table A1). The consultation programme also consisted of a focus group session intended for participation from Sector Skills Councils (SSCs) organised by the SSC Alliance. Due to poor participation a follow-up questionnaire was sent to representatives of the 25 SSCs of which 4 replies were returned.

It did not prove possible to interview all of the organisations identified in our initial list via face-to-face or telephone interview. However, all organisations were contacted three times either by telephone or email. The list of organisations interviewed provides a good representation of relevant parties impacted by the influx of migrant workers, including representatives of local business, community and government organisations as well industry and employee groups.

The actual consultation phase consisted of a total of 14 face-to-face interviews, 2 telephone interviews, 1 SSC focus group attendee and 4 returned questionnaires. Reasons for non-participation included limited time to participate or unavailability of key personnel.

Achieved consultation interviews

The table below provides an overview of the successful consultations and method of consultation.

Industry/Sector organisations	Type of interview
CBI NI Hotel Federation NICEM EU Skills e-skills Construction skills People 1 st Proskills	Face to Face Face to Face Face to Face Focus Group Questionnaire Questionnaire Questionnaire Questionnaire
Firms	Type of interview
Hastings Group Farrans Construction	Face to face Face to face
Employee Groups	Type of interview
UNISON ICTU	Face to face Face to face
Local Authorities	Type of interview
Newry and Mourne Dungannon Belfast	Face to face Telephone Face to face
Other	Type of interview
Institute for Conflict Research Compas (Oxford University) Equality Commission GEMS NI EGSA	Face to face Face to face Telephone Face to face Face to face

Source: Oxford Economics

Migrant density across sectors

- The consultations revealed very high density in some sectors or professions

- As high as 80%-90% in some cases
- Perhaps 5-10% on average across key migrant sectors

- The highest density sectors included agriculture, food processing and health & social care, hotels, catering, construction

- Migrants also filling higher-skilled ICT and engineering roles in last 4-5 years

- Consultees agreed there was some clear variation across occupations *within* sectors

- For example it was noted that there was very high density in housekeeping and kitchen portering within the hotel sector however migrants were less visible in customer-facing roles (often due to limited English proficiency)

- Some interesting evidence of major variation within ‘similar’ firms in same sector

- e.g. some construction firms are highly migrant-dense, others much less so
- ‘Reinforcement’ of migrant density through social networks (friend/relative referrals) and recruitment preferences?

- Whilst most consultations sited 2004 as the main ‘arrival’ date for migrants there were some variations between different sectors on initial arrival dates

- Majority of income-driven sectors saw an inflow which aligned with the ‘boom years’ of 2004+
- But migrants generally arrived earlier in the food processing sector (from 2000)
- And agriculture and health have both seen significant migrant densities since the 1990s

Characteristics of a typical migrant

- The three most common descriptions of migrant workers used throughout the consultations were “hard-working”, “highly productive” and “positive attitudes”

- Consultations revealed that most migrants were aged between 20 and 45

- Most in mid/late twenties
- It was also noted that there has been an increase in the number of families immigrating and settling long term in NI

- Majority were seen as immigrating from A8 countries and more specifically from Poland

- Smaller numbers were noted from Asia – particularly Philippines (health sector), China and India
- And still significant numbers from specific ‘old EU’ countries e.g. Portuguese workers in food processing
- Migrant workers from outside of A8 countries were seen as higher skilled and required for more specific roles

- Migrant workers were usually significantly over-skilled for their positions

- Migrant workers had a real desire to learn or better their English-speaking capabilities
- And were often less worried about matching a job to their skill levels – travel and culture seemed more of a focus than ‘career’

- Consultations suggested that migrant workers generally had a more ‘short-term’ focus to essentially ‘make money and move home’

- Migrant workers tended to have a willingness to work long hours or overtime to maximise earnings
- Businesses suggested that it was rare for migrants to pursue promotions or contribute to general running of business, even where significantly over-skilled. It was however noted that when offered extra training or English language courses migrants were more than willing to participate
- The typical length of stay for a migrant worker was seen as 1 to 2 years however some have settled for longer or even permanently
- In terms of claiming benefits, consultations suggested that the majority of migrant workers were here to work hard and make money so had no real desire to stay and claim benefits

Employers’ recruitment preferences**- There was evidence of an underlying preference for and ‘loyalty’ to NI workers**

- However consultations also highlighted local skills shortages, a mismatch between local training/HE offer and employer demand, and attitude problems with some local workers
- And vociferous complaints from many employers about NI ‘benefits culture’ and inactivity problem

- There was a general consensus as to the lack of availability and perceived poor quality of NI labour meaning that migrants were and still are the practical solution to filling some low-skilled vacancies

- It was also suggested that high level skills shortages were also a key driver for recruitment outside of NI

- This was particularly relevant for the health sector (skilled health professionals, nurses), food and drink sector (skilled butchers) and hotels and restaurants (chefs)

- There was some evidence of local firms actively recruiting in Eastern Europe because migrants are so valued (e.g. in construction)

- A key concern for employers wasn't necessarily finding the labour but rather the paperwork and bureaucracy which can accompany employment of a migrant worker (some businesses avoiding non-EU workers due to bad experience with work permit applications)
- Ultimately however employers are very aware of equal opportunity laws

Economic impact of migrants

- There was a general consensus that the influx of migrant workers has influenced firm survival and location decisions in NI

- For example it was found that food processing firms would genuinely have moved out of NI or disappeared altogether without migrant labour. Hence the desperation of food processing firms to convince MAC that the most migrant-dense occupations (e.g. meat boning/trimming) are 'skilled' and should be on the shortage list

- It was believed that migrant workers had contributed to economic growth in NI

- There was a frequent view that rapid job creation 2004-2008 could not have occurred without the supply of migrants, particularly from A8
- Consultees also commented that migrant workers have facilitated higher growth (filling labour and skill shortages) and helped to drive growth (retail spending, public services, house prices)

- Migrant workers have provided wider economic effects to the economy

- Some of the wider economic benefits mentioned in consultations included increased spending by migrant workers and their visiting families as well as the development of new air routes
- There has been a more international outlook which has been positive for trade and investment
- Some consultations also suggested that the employment of migrant workers has boosted productivity of their local workforce
- There was little evidence of lower capital investment since many migrant-dense sectors are labour intensive

Labour market impacts of migrants

- Few consultees believed that migrant workers have displaced native workers

- There was little anecdotal or numerical evidence of outright displacement of NI workers in any sector
- There was a common suggestion that migrant workers were doing jobs that local NI workers were no longer prepared to do
- Some consultees agreed that there was potential for greater competition and displacement as the pool of native unemployed rises

- There was no suggestion that the employment of migrant workers has exacerbated NI's inactivity problem

- The consultations revealed mixed evidence on wages

- Employers were very cautious here however it seemed that there was little evidence of genuine migrant 'discrimination'
- There was some distinction between pay and conditions of direct-hire and agency workers rather than migrant and native
- Sector organisations admit some unscrupulous firms may have employed migrants below the minimum wage however this was sited as very rare. It was commented that most migrants are in minimum wage occupations and therefore this is what they are paid

Skills impacts of migrant workers

- Consultations revealed a clear role for migrants in filling labour shortages

- Clear and unequivocal message from employers that migrants have 'filled a void', especially in hospitality, health, food processing and construction
- Some view that this void had only appeared because native workers had become 'spoilt' by economic success and had begun to reject certain occupations (e.g. hotel work, for which consultations revealed applications have now risen again)

- There was also a suggestion that the influx of migrant workers has moved NI workers up the 'skills escalator'

- Some view that with migrants filling low-skilled positions, NI workers are no enjoying better training opportunities and the chance to work in higher-value roles

- Some concerns were raised with regards to the perceived reduction in training which may impact upon the development of young people

- There was a genuine concern from construction sector that availability of migrants has delayed urgent reform in NI training and apprenticeship schemes – “what happens if/when the migrants leave?”

- Also some concern that migrant workers are creating ‘skills gaps’

- The food processing sector reported that the very high churn of migrants has reduced potential for progression through the ranks to supervisory level, leaving a skills gap in semi-specialised, middle-tier roles

Negative impacts of migrant workers

- There was some feeling amongst consultees that migrant-dense communities were creating a sense of ‘fear and unrest’

- There was some feeling of unrest amongst some local communities as migrants are seen as ‘troublemakers taking our jobs’
- This is particularly relevant now given the economic climate and the rising number of unemployed

- Companies were noted as investing in increased signage and training to overcome language barriers

- Workplace signage and health and safety training is now required to be implemented in a number of different languages. Some companies reported having signage in up to 12 different languages

- Consultees revealed an under-utilisation of migrant labour – ‘wasted productivity’

- It was evident that a large number of migrant workers are working in jobs below their skill level. Consultations suggested that this labour could be harnessed to its full potential by filling skills gaps and shortages in more highly skilled sectors and occupations

The impact of the recession

- There was clear evidence of slowing inflow and increasing outflow of migrant workers since mid-2008

- This is also supported by WRS data on A8 numbers

- But much of this has matched the ‘shrinkage’ in income-driven sectors such as hospitality and retail

- Consultations revealed little evidence of unfilled vacancies caused directly by large numbers of migrants returning home
- This supports the theory that migrant inflows are ‘cyclical’ and market-driven

- It was also suggested that migrant-dense occupations are becoming ‘acceptable’ again for native workers

- Large numbers of recent applications have been reported for migrant-dense roles from NI workers, including many higher skilled (e.g. hotel/bar work, construction)
- This could potentially lead to greater competition for jobs and displacement if migrants do choose to stay

- It is important to note significant numbers of migrants are now likely to stay long-term due to marriage/children or other social ties

- Whilst economic factors were seen as the main drivers of migration it was identified that they are no longer the only ones

Thoughts on future flows

- Most employers in migrant-dense sectors expected some reduction in number of available migrant workers

- Though many adamant that a significant (though reduced) inflow will continue as long as earnings are higher in NI than A8 countries

- Employers generally well informed on relevant political issues (e.g. EU accession)

- And know to expect future inflows when other countries gain access to UK labour market

- Common view that increased globalisation and inter-culturalism will sustain higher inflow (and outflow) than pre-2004

- Some concern about impact of Points-Based System on recruiting outside EU

- There were already some noted difficulties regarding regulations and administration/paperwork and this is only likely to exacerbate in the future
- The question was raised in a number of consultations as to whether or not there should there be a shortage list for NI as there is for Scotland

- The key determining factors of future migration flows were sited as the exchange rate, relative earnings and economic growth in home countries

- This was particularly relevant to flows to and from eastern Europe

Key consultation issues – summary

General

- Migrant density very high in certain sectors/occupations – “up to 90%”
- Migrants generally well regarded and often specific recruitment target

Economic impact

- Helped maintain adequate labour supply to fuel 2004-2008 economic boom in consumer spending-driven sectors
- Strong suggestion that migrant availability was the difference between businesses surviving or shutting down/offshoring in the food processing sector
- Wider impacts on tourism and trade appear to have been positive

Labour market impact

- Little belief that displacement of natives has occurred particularly while economic growth and job creation were strong (2003-2008), however there are some concerns for the future given the current economic recession

Skills impact

- Some concern on effect of migrant availability masking the potential need for reform in NI education, training and apprenticeship system (especially in the construction industry)
- Possible creation of 'skills gap' in middle-tier supervisory occupations in migrant-dense manual occupations (e.g. food processing)

Overall conclusions

- View that migrants "filled a void" in NI labour supply during boom years, facilitating part of the rapid economic growth story
- Strong evidence of occupational segregation (same story as GB and particularly ROI) – not a myth that natives didn't want certain jobs anymore
- Little belief from consultees that involuntary displacement or adverse wage impacts have hit native workers, but concerns this may occur as competition for jobs intensifies

Appendix G Labour Force Survey Analysis

The analysis that follows uses data from the Labour Force Survey (LFS) to examine patterns of migrant employment. It also assesses the changing unemployment of UK nationals in the context of an increase in migration and assesses the impact on wage inflation for UK nationals working in 'Migrant Dense' sectors and occupations.

Approach

For the purposes of the analysis that follows a migrant worker is defined as a person working in NI whose **country of birth** was not the UK or Republic of Ireland.

Where practical (sample sizes permitting), migrants are divided into two groups based on year of arrival into the UK. This is done using the CAMEYR (year of arrival) marker in the Labour Force Survey (LFS) to identify those people who have arrived since 2004 and those who arrived before 2004 (this is to provide analysis pre and post the latest large scale EU enlargement). The approach taken in this analysis follows the Labour Force Analysis approach taken in the IER report into the economic impact of migrant workers in the West Midlands, published in 2007. This report is available to download from:

<http://www.wmro.org/standardTemplate.aspx/Home/OurResearch/BusinessEconomy/EconomicMigrants>

The Labour Force Survey (LFS) is based on a sample survey of households in the UK and is organised on a rolling cohort basis. An individual enters the survey is tracked for 5 successive quarters and then leaves (in this way one fifth of the LFS sample leaves the survey each quarter and the sample is replenished by incorporating a new wave of people). Similar to the West Midlands study, to avoid counting the same migrant twice, the analysis of migrant employment is based on individuals working in NI within every fifth quarter of the LFS between April-June 2001 and October-December 2008.

The merged dataset (which merges seven quarters) provide the following sample sizes:

Migrants who arrived prior to 2004: 536

Migrants who arrived since 2004: 177

Non Migrants: 13,674

The appropriate population weights contained within the LFS sample have been applied in conducting this analysis.

While the LFS provides a valuable source of information on the labour force outcomes and impacts of migrant workers, there are some important caveats to note:

- Firstly, small sample numbers restrict the scope of any statistical analysis and so some of the analysis has been restricted to a wider definition of migrants which does not distinguish years of arrival. Given the small sample sizes, figures quoted may be subject to large standard errors and should be treated as indicative only.

- Secondly, there is the potential for the LFS to undercount migrant workers. The concern is that the LFS requires people with 'stable living arrangements' so that they can be tracked through their participation on the LFS and that many migrants have a greater tendency to be geographically mobile or live in communal, less permanent accommodation. It is possible therefore that migrants in the LFS samples will be skewed more towards being older, more established and in better paid, permanent jobs. Seasonal workers in agriculture are a good example of a sector that might not be captured well in the LFS.
- Thirdly, the recent sharp decline in economic performance (which comes through strongly in the Oct-Dec 2008 dataset) might 'drown' some of trends/findings that would be clearer in more settled the makes it more difficult to draw conclusions on the impact/influence of migration.

Recognising the caveats outlined above, our view would be that the Labour Force Survey still offers the potential for a detailed and robust assessment of the impact of migrants

Migrant Employment

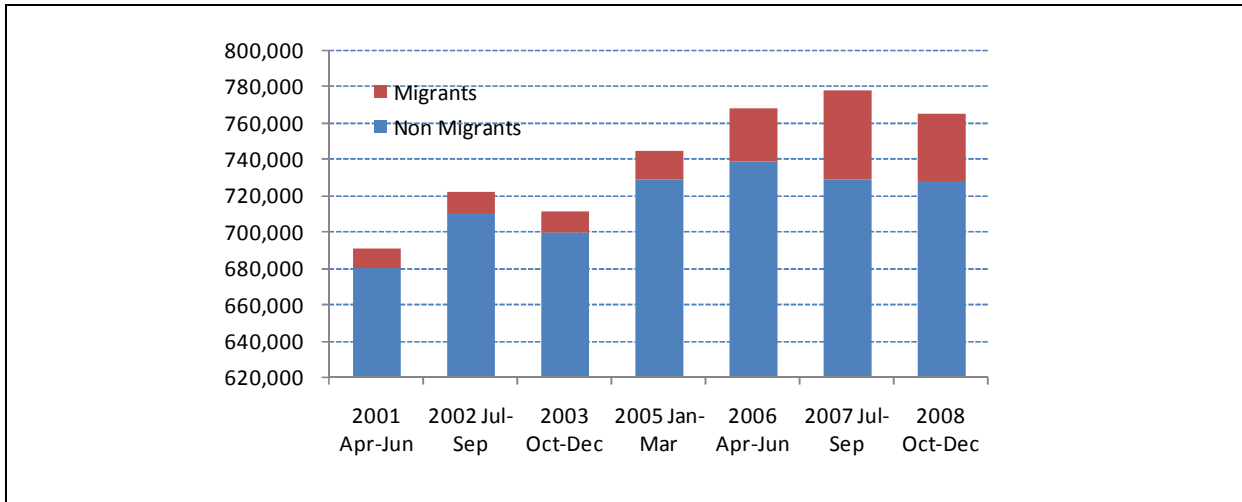
Table G-1 summarises the (weighted) estimates of migrant employment in NI region based on the quarterly LFS estimates while Figures G-1 to G-3 display the increasing contribution to total employment that migrants make and the annual growth since 2001. There is a marked increase in migrant participation in the NI labour market over the period under review with migrant employment reaching close to 50,000 towards the end of 2007. Since then, the economic downturn is evident in the LFS data and migrant employment has fallen back slightly to account for 7 percent of total employment in Oct-Dec 2008.

Table G-1: Estimates of migrants in employment in Northern Ireland, 2001-2008

LFS Dataset	Total Employment	Migrant Employment					
		All		Arrived Pre 2004		Arrived Since 2004	
		Number	% of Total	Number	% of Total	Number	% of Total
2001 Apr-Jun	690,230	10,875	1.6%	10,875	1.6%	-	-
2002 Jul-Sep	721,290	11,448	1.6%	11,448	1.6%	-	-
2003 Oct-Dec	710,898	11,630	1.6%	11,630	1.6%	-	-
2005 Jan-Mar	744,489	16,007	2.2%	13,975	1.9%	2,032	0.3%
2006 Apr-Jun	767,537	29,499	3.8%	13,505	1.8%	15,994	2.1%
2007 Jul-Sep	777,689	48,673	6.3%	19,593	2.5%	29,080	3.7%
2008 Oct-Dec	764,486	36,577	4.8%	18,202	2.4%	18,375	2.4%

Source: Labour Force Survey, FGS McClure Watters

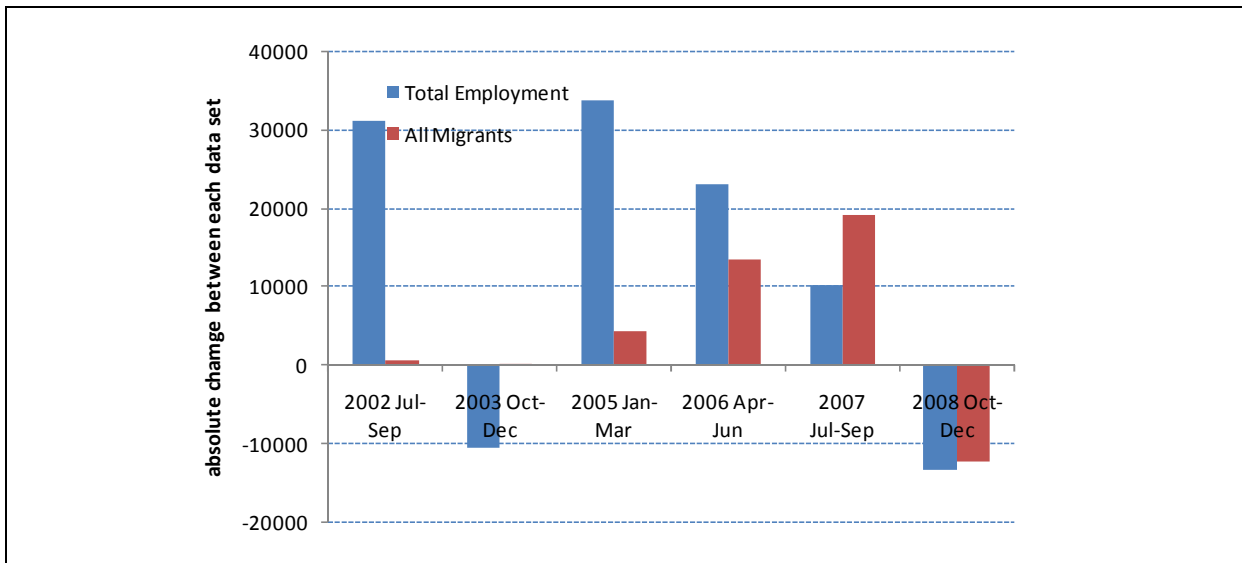
Figure G-1: Total employment in NI by migrant and non-migrant



Source: Labour Force Survey, FGS McClure Watters

Note: No distinction is made between year of arrival for migrants in this figure

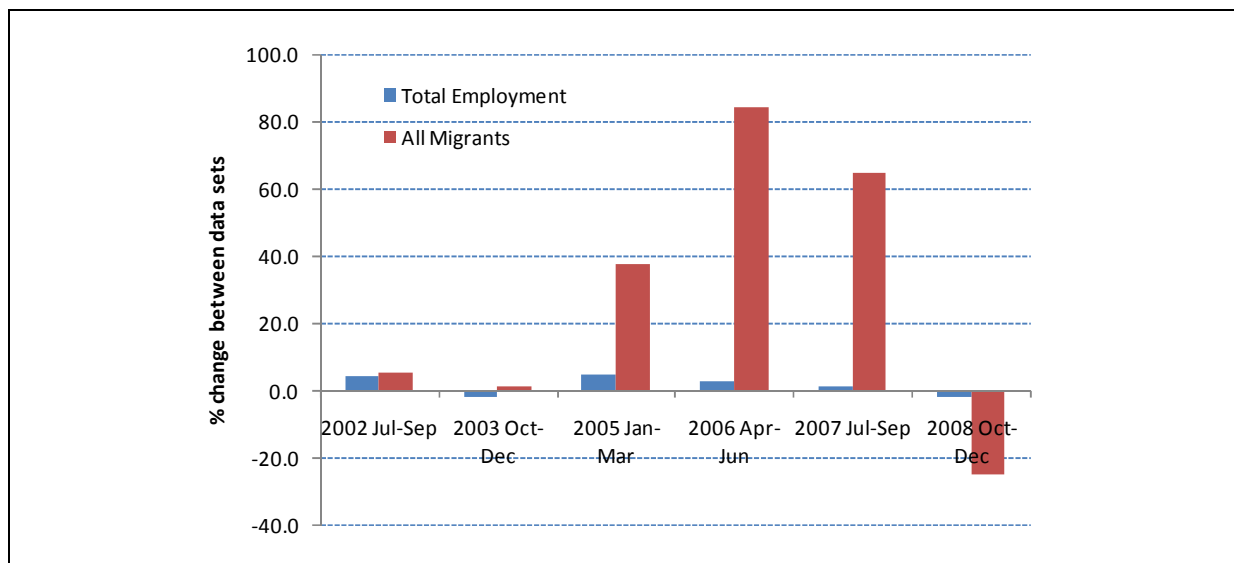
Figure G-2: Growth in total employment and migrants in employment (absolute change)



Source: Labour Force Survey, FGS McClure Watters

Note: No distinction is made between year of arrival for migrants in this figure

Figure G-3: Growth in total employment and migrants in employment (percent change)



Source: Labour Force Survey, FGS McClure Watters

Note: No distinction is made between year of arrival for migrants in this figure

The large increases in migrant workers in Northern Ireland since 2004 have been well documented and are reflected in the LFS data with growth of over 80 percent in the 2006 dataset and over 70 percent in the 2007 dataset. By 2007, workers who arrived since 2004 accounted for a greater proportion of total employment as migrants who had arrived prior to 2004. This has fallen back to parity in the 2008 dataset. Anecdotal evidence of these ‘new’ migrants being more ‘footloose’ seems to be borne out to some extent by the reasonably sharp reduction between the 2007 dataset and the 2008 dataset although the concentration of ‘new’ migrants in sectors that have borne much of the brunt of the recent downturn is a considerable factor.

Having identified the extent to which migrants contribute to total employment, the following section identifies which sectors and occupations they are most concentrated in.

Migrant-dense sectors

A migrant-dense (MD) sector is defined as one where the number of migrant workers as a share of all migrant workers is higher than the number of native workers as a share of all native workers. For example, 22 percent of all migrant workers in Northern Ireland work in the manufacturing industry, compared to just 13 percent of all native workers. The sector is therefore termed in our analysis as ‘migrant dense’. For clarity, an MD sector is not one where there are more migrants than non-migrants. In fact, table G-2, which shows the make-up of each sector, demonstrates that the overwhelming majority of each sector is comprised of non-migrants.

Table G-2: Concentration of non-migrants and migrants within sectors (merged dataset)

	Non Migrant (% of Sector)	All Migrants (% of Sector)	Unweighted Sample
Agriculture Forestry and Fishing	99.3	0.7	604
Mining	96.8	3.2	70
Manufacturing	94.4	5.5	1867
Electricity, Gas and Water	98.4	1.6	65
Construction	97.8	2.1	1554
Wholesale and Retail	97.6	2.4	2131
Hotels and Restaurants	89.8	9.8	566
Transport Storage and Communications	98.0	2.0	664
Financial Intermediation	98.5	1.5	379
Business Services	96.5	3.5	900
Public Admin	98.9	0.9	2007
Education	98.4	1.5	1166
Health	94.3	5.7	1823
Other Services	96.7	3.1	577
Private Households	97.4	2.6	29
All Sectors	96.7	3.2	14403

Source: Labour Force Survey, FGS McClure Watters

To identify MD sectors, a merged LFS dataset comprising each of the quarters outlined in Table G-1 was created and analysed. A sector qualified as being MD if the concentration of migrants who arrived since 2004 or the concentration of migrants who arrived before 2004 is greater than the concentration of non-migrants in each sector. The analysis below is presented at 2-digit SIC level.

28 of the 59 2 digit SIC sectors are MD. There is a reasonably even spread of MD sectors across the economy including manufacturing, private sector and public sector activities. It is also evident from the analysis presented below that there are a range of sectors that have become MD as a result of the more recent arrivals to NI. These are shown by the blue cells in the 'mig pre-2004' column. Examples include construction and several manufacturing sectors.

The MD sectors identified below account for 75 percent of total migrant employment (83 percent if analysing only those who have arrived since 2004) compared to 45 percent of non-migrant employment.

Table G-3: Migrant-dense industry sectors (share of employment by group)

MD Sector Names	UK Nationals	Migrant Employment		
		All Mig	Mig Pre 2004	Mig Since 2004
Other Mining and Quarrying	0.4	0.5	0.4	0.6
Manufacturing	12.6	22.2	14.9	33.4
<i>Manufacture of Food and Beverages</i>	2.3	10.6	7.4	15.4
<i>Manufacture of Tobacco Products</i>	0.1	0.3	0.0	0.7
<i>Manufacture of Textiles</i>	0.6	0.8	0.0	2.1
<i>Manufacture of Wearing Apparel</i>	0.5	0.5	0.8	0.0
<i>Manufacture of Wood and Products of Wood</i>	0.2	0.4	0.0	0.9
<i>Manufacture of Pulp Paper and Paper Products</i>	0.2	0.5	0.0	1.2
<i>Manufacture of Rubber and Plastic Products</i>	0.8	0.9	0.8	0.9
<i>Manufacture of Other Non-Metallic Mineral</i>	0.5	0.8	0.7	0.8
<i>Manufacture of Machinery and Equipment</i>	0.7	1.2	1.1	1.4
<i>Manufacture of Office Machines and Computer</i>	0.4	0.7	0.3	1.4
<i>Manufacture of Electrical Machinery</i>	0.4	1.1	0.7	1.7
<i>Manufacture of Television and Line Telephone</i>	0.3	0.2	0.3	0.0
<i>Manufacture of Medical and Optical Instruments</i>	0.3	0.7	0.4	1.3
<i>Manufacture of Motor Vehicles and Trailers</i>	0.8	1.2	0.5	2.3
<i>Manufacture of Furniture and Manufacturing N.E.C</i>	0.7	1.4	1.0	2.1
Electricity Gas Steam and Hot	0.3	0.2	0.0	0.6
Construction	10.9	7.2	4.5	11.3
Hotels and Restaurants	3.7	12.2	13.4	10.4
Post and Telecommunications	1.6	1.6	2.0	0.9
Renting Machinery and Equipment	0.1	0.5	0.0	1.2
Computer and Related Activities	0.9	1.7	2.0	1.2
Research and Development	0.1	0.2	0.4	0.0
Other Business Activity	4.9	4.6	5.9	2.5
Health and Social Work	12.3	22.6	24.0	20.5
Sewage and Refuse Disposal	0.1	0.8	0.9	0.6
Activities Membership Organisations	0.7	0.9	1.6	0.0
Private Households	0.2	0.2	0.0	0.4
All Migrant Dense Sectors	45.2	74.6	69.3	82.7

Source: Labour Force Survey, FGS McClure Watters

Note: Cells highlighted in blue denote non MD sectors for that group of migrants. Note also that Manufacturing will be greater than the sum of the manufacturing sectors listed in the table as 'manufacturing' relates to the whole sector.

Although there are 28 MD sectors, many of these sectors are small in absolute terms and it is clear from Table G-3 that there are considerable concentrations of migrants in several sectors. The five largest concentrations of migrants for each group are as follows:

Table G-4: Highest overall migrant share of employment in Northern Ireland sectors

Sector	Migrant Pre 2004	Sector	Migrant Since 2004
Health and Social Work	24	Health and Social Work	20.5
Hotels and Restaurants	13.4	Manufacture of Food and Beverages	15.4
Manufacture of Food and Beverages	7.4	Construction	11.3
Other Business Activity	5.9	Hotels and Restaurants	10.4
Construction	4.5	Other Business Activity	2.5
Total	55.2	Total	60.2
All MD Sectors	69.3	All MD Sectors	82.7

Source: Labour Force Survey, FGS McClure Watters

The migrants that have arrived since 2004 are more concentrated within the top five sectors, with these sectors accounting for over 60 percent of employment. A key difference in the employment destination of migrants that have arrived since 2004 and those that arrived before is the different concentrations/rankings of the top five sectors. Construction for example, accounts for 5 percent of migrant employment for the 'pre 2004' group and accounts for more than one in ten migrant jobs for the more recent arrivals.

Migrant Dense Occupations

Analysis by occupation has been performed on 3 digit and, for ease of presentation, 2-digit SOC classifications. Again, an occupation qualifies as being MD if (using the merged LFS dataset) the concentration of migrants who arrived since 2004 or the concentration of migrants who arrived before 2004 is greater than the concentration of non-migrants in each occupation. For clarity, an MD occupation is not one where there are more migrants than non-migrants. In fact, table G-5, which shows the make-up of each occupation, shows that the overwhelming majority of each occupation is comprised of non-migrants. The occupations with the largest migrant concentrations are customer services (one in ten workers in this occupation are migrants), health and textile skills.

Table G-5: Concentration of non-migrants and migrants within occupations (merged dataset)

	Non Migrant (% of Sector)	All Migrants (% of Sector)	Unweighted Sample
Corporate Managers	98.23	1.77	1185
Managers and proprietors in agriculture and services	97.25	2.75	400
Science and technology professionals	96.50	3.50	314
Health professionals	93.98	6.02	166
Teaching and research professionals	98.05	1.95	719
Business and public service professionals	97.54	2.46	448
Science and technology associate professionals	97.33	2.67	187
Health and social welfare associate professionals	91.96	8.04	672
Protective service occupations	100.00	0.00	86
Culture, media and sports occupations	98.88	1.12	178
Business and public service associate professionals	97.42	2.58	542
Administrative occupations	98.73	1.27	1495
Secretarial and related occupations	99.28	0.72	414
Skilled agricultural trades	99.60	0.40	503
Skilled metal and electrical trades	96.94	3.06	784
Skilled construction and building trades	98.45	1.55	838
Textiles, printing and other skilled trades	91.92	8.08	334
Caring personal service occupations	97.69	2.31	864
Leisure and other personal service occupations	98.92	1.08	278
Sales occupations	98.16	1.84	978
Customer service occupations	91.11	8.89	90
Process, plant and machine operatives	92.25	7.75	697
Transport and mobile machine drivers and operatives	98.09	1.91	628
Elementary trades, plant and storage related occupations	93.83	6.17	486
Elementary administration and service occupations	96.30	3.70	1109
Total	97.03	2.97	14395

Source: Labour Force Survey, FGS McClure Watters

Note: Total employment by occupation does not tally to total employment by sector due to slightly different response levels in the LFS for each question.

Table G-6: Migrant-dense 2-digit occupations (share of employment by group)

MD Occupation Names	UK Nationals	Migrant Employment		
		All Mig	Mig Pre 2004	Mig Since 2004
Managers and proprietors in agriculture and services	2.8	2.5	3.8	0.7
Science and technology professionals	2.3	2.5	4.2	0.0
Health professionals	1.2	2.6	2.7	2.4
Business and public service professionals	3.2	2.3	3.3	0.6
Science and technology associate professionals	1.4	1.2	1.6	0.6
Health and social welfare associate professionals	4.3	12.5	12.8	12.1
Business and public service associate professionals	3.9	3.2	5.3	0.0
Skilled metal and electrical trades	5.5	5.5	4.0	7.9
Textiles, printing and other skilled trades	2.2	6.2	7.4	4.5
Caring personal service occupations	5.9	5.2	4.2	6.5
Customer service occupations	0.6	2.4	1.9	3.1
Process, plant and machine operatives	4.6	13.2	7.4	22.0
Elementary trades, plant and storage related occupations	3.2	6.6	2.9	12.1
Elementary administration and service occupations	7.6	10.1	7.9	13.3
All Migrant Dense Occupations	48.7	76.0	69.5	85.8

Source: Labour Force Survey, FGS McClure Watters

Note: Shaded cells denote occupations that were not MD for that group. Analysis for the more detailed 3 digit occupation codes are presented in Appendix 1.

The MD occupations account for just over 75 percent of migrant jobs compared to 49 percent for non-migrants. There is a considerable difference in the concentration of migrants in the MD occupations depending in the period of arrival, with MD occupations accounting for 86 percent of employment for migrants who have arrived in NI since 2004. This figure falls to 70 percent for migrants who arrived here prior to 2004.

In total, 14 of the 25 two digit occupations have been classified as MD although the extent to which occupations are MD differs markedly between groups of migrants. For example, for the group of migrants that have arrived since 2004, nine occupations are MD and these are somewhat skewed towards the lower skill level occupations such as process, plant and machine operatives, which accounts for 22 percent of that group's total employment and Elementary trades and administration which combine to account for a quarter of employment for the migrants that have arrived since 2004.

The occupation destination of the migrants that have arrived since 2004 has resulted in several occupations becoming more migrant dense. These are:

- Skilled metal and electrical trades;
- Caring personal service occupations;
- Customer service occupations;
- Process, plant and machine operatives;
- Elementary trades, plant and storage related occupations;
- Elementary administration and service occupations.

Trends in Migrant Dense Sectors and Occupations

Sectors

In attempting to assess the employment impact of inward economic migration, this section looks for evidence of 'crowding out' (i.e. decreasing employment) of UK nationals in migrant-dense areas of work. To this end, Table G-7 and Figure G-4 present growth in MD sectors (for ease of presentation, MD sectors have also been calculated at the highest level of sectoral aggregation and used in the table and figure below).

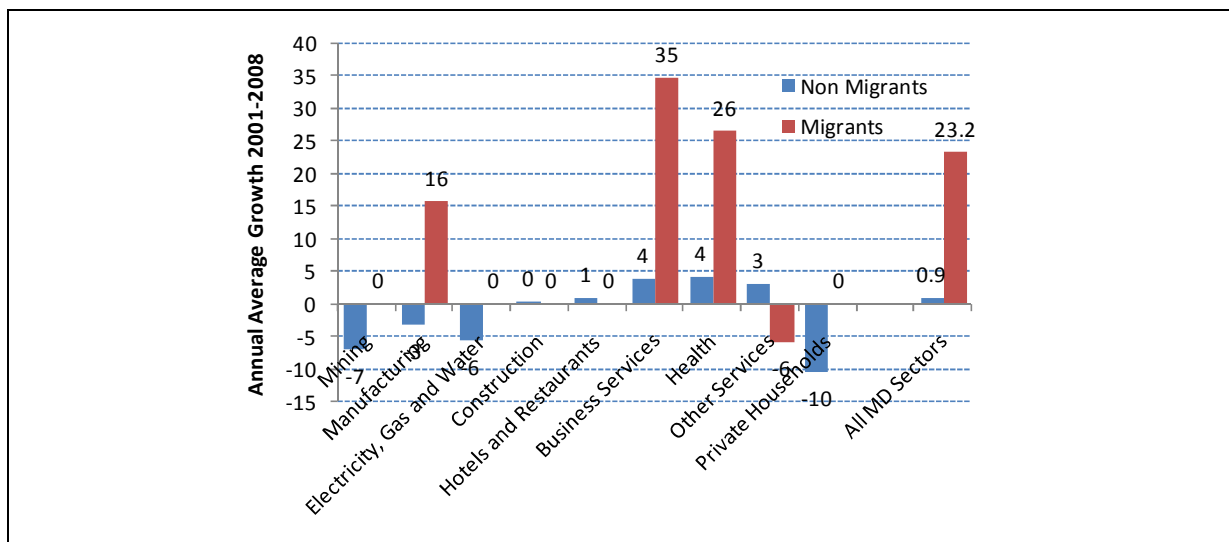
Table G-7: Change in Employment in MD Sectors (Absolute change)

	Non Migrants			Migrants		
	2001 Apr-Jun	2008 Oct-Dec	Change (Nos)	2001 Apr-Jun	2008 Oct-Dec	Change (Nos)
Mining	3764	2257	-1507	0	776	776
Manufacturing	93951	75299	-18652	3314	9225	5911
Electricity, Gas and Water*	5716	3842	-1874	0	0	0
Construction	74325	76661	2336	0	1193	1193
Hotels and Restaurants	26525	28345	1820	0	3671	3671
Business Services	40666	53211	12545	357	2866	2509
Health	72528	96733	24205	2180	11250	9070
Other Services	24942	31063	6121	1039	685	-354
Private Households*	2756	1279	-1477	0	0	0
All MD Sectors	345173	368690	23517	6890	29666	22776

Source: Labour Force Survey, FGS McClure Watters

*these sectors had employees in the 2007 dataset

Figure G-4: Average rate of change in employment by migrant-dense sectors



Source: Labour Force Survey, FGS McClure Watters

Note: Mining had 0 migrant employees in 2001 and has increased to close to 800 in the weighted Oct-Dec 2008 LFS sample.

Employment growth across all MD sectors has been over 23 percent on average for migrants compared to just 1 percent for non-migrants (recall from Figure G-2 that total employment growth for all sectors and all groups averaged around 2 percent between datasets).

Across some sectors, (namely mining, manufacturing and electricity, gas and water and private households) employment has declined among non-migrants and risen among migrants, suggesting some displacement²⁴ of non-migrants might be occurring in these sectors.

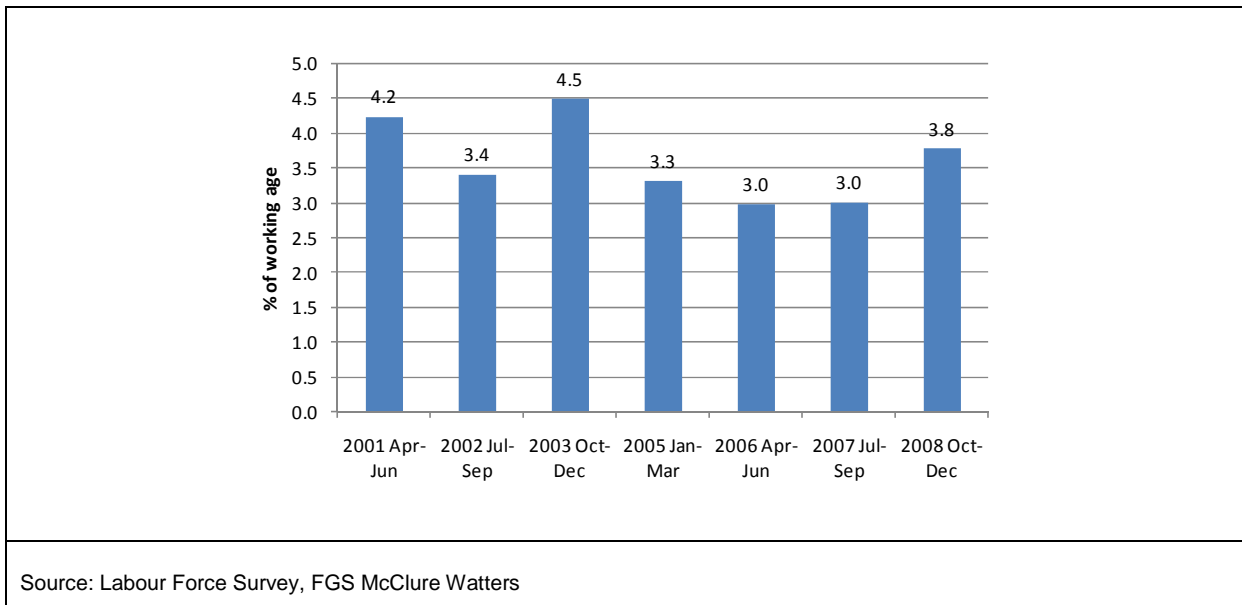
²⁴ Following the approach of the IER's assessment of the economic impact of migrants in the West Midlands (2007) displacement here refers to a situation where the employment trend of migrant workers is positive and the employment trend of UK-national workers is negative. Consultations carried out as part of this study suggest that non-migrants are 'shunning' sectors rather than being forced out.

Unemployment of Non-Migrants

Two types of analysis are presented here – unemployment amongst non-migrants in NI and unemployment by last sector/occupation. The aim of this analysis is to try and ascertain whether the evidence of displacement of non-migrants in certain sectors and occupations is voluntary or involuntary.

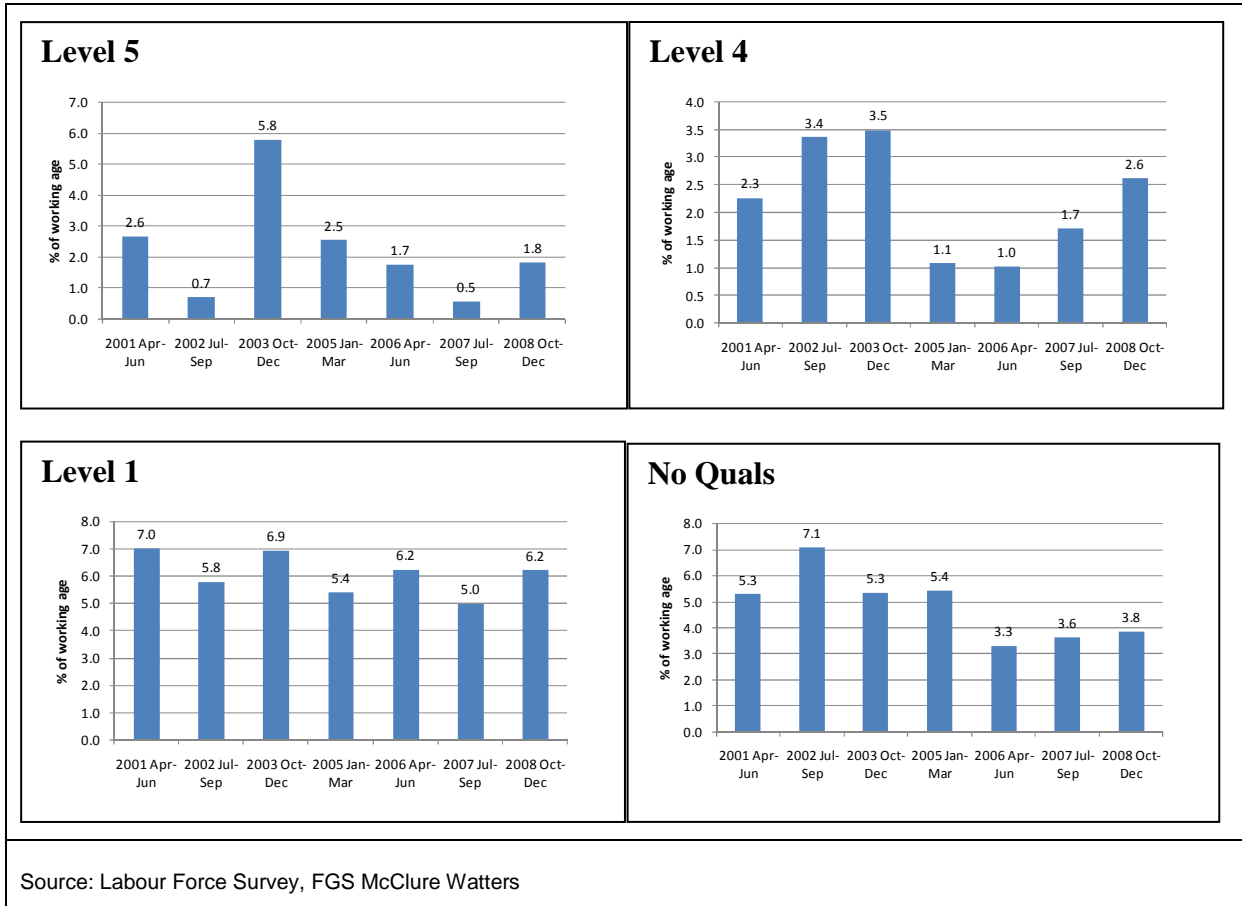
If the displacement of UK national workers is involuntary (rather than voluntary), increased rates of unemployment of non-migrants would be expected with the large influx of migrant workers. Figure G-5 below shows that the unemployment rate of non-migrants in NI fell to 3 percent and remained there even after the post-2004 large increases in migrant labour. The increase in unemployment in 2008 is most likely a result of the general economic downturn rather than any migration effect (an assertion supported by the decline in absolute migrant numbers in the employment numbers in Table G-1 earlier).

Figure G-5: Rates of unemployment amongst non-migrants in Northern Ireland, 2001-2008



As migrant workers are increasingly being employed in lower skilled areas of work, Figure G-6 presents rates of unemployment amongst non-migrants by level of highest qualification to test whether there has been any differential impact, in terms of unemployment, for lower-skilled non-migrants. The results do not suggest any evidence of increasing unemployment rates among the lower-skilled non-migrants in NI during this decade.

Figure G-6: Rates of unemployment amongst non-migrants in NI by skill level, 2001-2008



Although the trends in unemployment rates for non-migrants do not suggest any impact of the large-scale increases in migration into NI, it is worthwhile to take the analysis a stage further and assess the extent to which unemployed non-migrants have come from MD sectors and occupations. Applying the LFS 'sector/occupation of last job' variables to the unemployed non-migrants provides this analysis.

Table G-8 shows the percentage of non-migrants in unemployment whose last job was in one of the MD industries. The analysis is based on the merged LFS dataset. Overall, 48 percent of unemployed non-migrants worked in one of these sectors. In comparison, these sectors account for 38 percent of employment. It would appear then that slightly proportionally more people enter unemployment from MD industries.

The shaded cells indicate where the last job employment percentage is greater than the overall employment figure; i.e. indicating that unemployed workers have a higher propensity than we would expect to have last worked in one of these sectors. This is the case for 17 of the MD sectors including the vast majority of manufacturing sectors. The recent plight of the construction sector is also evident

from the table. The sector accounts for around one in ten employees in the merged LFS dataset but accounts for 17 percent of non-migrant unemployment.

Table G-8: Last job analysed by migrant-dense industries

	Last Job (% of Unemployed)	Employment by Sector (all people, %)
Other Mining and Quarrying	0.0	0.3
Manufacture of Food and Beverages	3.0	2.0
Manufacture of Tobacco Products	0.1	0.1
Manufacture of Textiles	0.4	0.2
Manufacture of Wearing Apparel	0.6	0.2
Manufacture of Wood and Products of Wood	0.5	0.1
Manufacture of Pulp Paper and Paper Products	0.4	0.1
Manufacture of Rubber and Plastic Products	1.2	0.5
Manufacture of Other Non-Metallic Mineral	0.7	0.3
Manufacture of Machinery and Equipment	0.1	0.3
Manufacture of Office Machines and Computer	0.7	0.4
Manufacture of Electrical Machinery	0.0	0.4
Manufacture of Television and Line Telephone	0.2	0.1
Manufacture of Medical and Optical Instruments	0.2	0.2
Manufacture of Motor Vehicles and Trailers	1.4	0.6
Manufacture of Furniture and Manufacturing N.E.C	0.9	0.6
Electricity Gas Steam and Hot	0.2	0.2
Construction	16.7	10.8
Hotels and Restaurants	6.5	3.2
Post and Telecommunications	1.0	0.8
Renting Machinery and Equipment	0.0	0.0
Computer and Related Activities	0.5	0.7
Research and Development	0.2	0.1
Other Business Activity	2.4	2.8
Health and Social Work	8.9	12.3
Sewage and Refuse Disposal	0.3	0.1
Activities Membership Organisations	0.0	0.5
Private Households	0.4	0.2
All MD 2 Digit unemployment	47.5	38.1

Source: Labour Force Survey, FGS McClure Watters

Table G-9 analyses last employment for migrant-dense occupations. 26 percent of the unemployed non-migrants last worked in one of the MD occupations. Shaded cells denote where the last job employment percentage is greater than the overall employment figure, indicating that unemployed workers have a higher propensity than expected to have last worked in one of these occupations. This is particularly the case in the 'lower level' occupations.

These figures indicate evidence of a disproportionately large number of unemployed coming from migrant-dense areas of work, particularly at the lower-skilled end. However, one caveat to note is that these results might have arisen as the result of higher rates of employment turnover in these sectors as opposed to any effect arising from the arrival of migrants. Trends over time rather than differences in cross section might therefore be more informative.

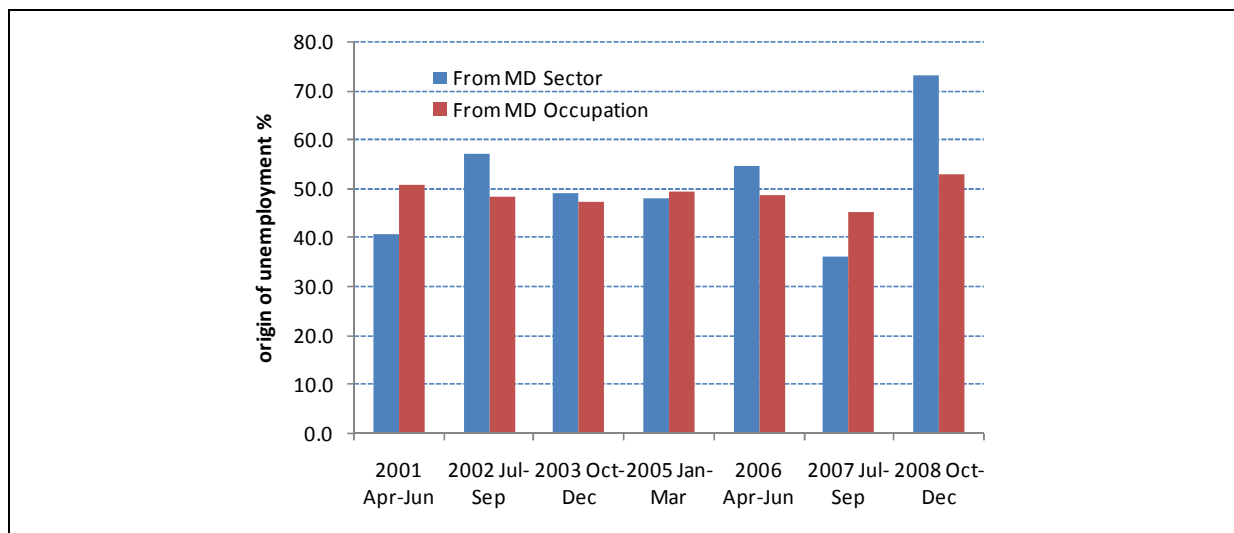
Table G-9: Last job analysed by migrant-dense occupations

	Last Job (% of Unemployed)	Employment by Sector (all people, %)
Managers and proprietors in agriculture and services	0.3	1.1
Science and technology professionals	0.2	1.2
Health professionals	0.3	1.2
Business and public service professionals	0.6	1.9
Science and technology associate professionals	1.5	1.1
Health and social welfare associate professionals	1.7	4.6
Business and public service associate professionals	1.7	2.3
Skilled metal and electrical trades	2.6	1.9
Textiles, printing and other skilled trades	4.5	1.9
Caring personal service occupations	1.7	3.3
Customer service occupations	1.0	0.7
Process, plant and machine operatives	9.8	4.8
Elementary trades, plant and storage related occupations	10.2	2.4
Elementary administration and service occupations	10.5	6.6
All MD 2 Digit Occupations	25.9	26.0

Source: Labour Force Survey, FGS McClure Watters

Figure G-7 shows the percentage of unemployed non-migrants coming from MD sectors and occupations. If involuntary displacement was a factor in NI, an increasing trend in the proportion of unemployment coming from MD sectors and occupations would have been expected, but this does not appear to be the case. The spike in the 2008 data reflects a sharp increase in unemployment from the construction and hotels & restaurants sectors.

Figure G-7: Trends in the origin of unemployed non-migrant workers



Source: Labour Force Survey, FGS McClure Watters

Impact of Migration on Earnings

The final area analysed through the LFS to assess the impact of migration is whether migrants have had an impact through the suppression of earnings. Sample size constraints mean the analysis for sectors can only be performed at the most aggregated level (Figure G-8).

The following figures show annual average growth in the earnings of non-migrants in migrant-dense areas of work (industries and occupations) compared to trends in earnings of non-migrants in the economy as a whole. Lower wage growth in MD sectors and occupations could suggest some suppression of wages as a result of the increase in migration.

The results show a mixed picture of wage growth in MD areas of work. The average annual rate of wage growth over the period for the economy as a whole is 6 percent per annum. Apart from mining and other services, each of the MD sectors recorded stronger growth than this average. It is important to remember that the data being assessed relates to a period of unprecedented economic growth in Northern Ireland and that the three MD sectors in Figure G-8 that are furthest from the average (business services, hotels and restaurants and construction) enjoyed particular success in the economic growth up to 2007.

Figure G-8: Annual wage inflation by migrant-dense sector

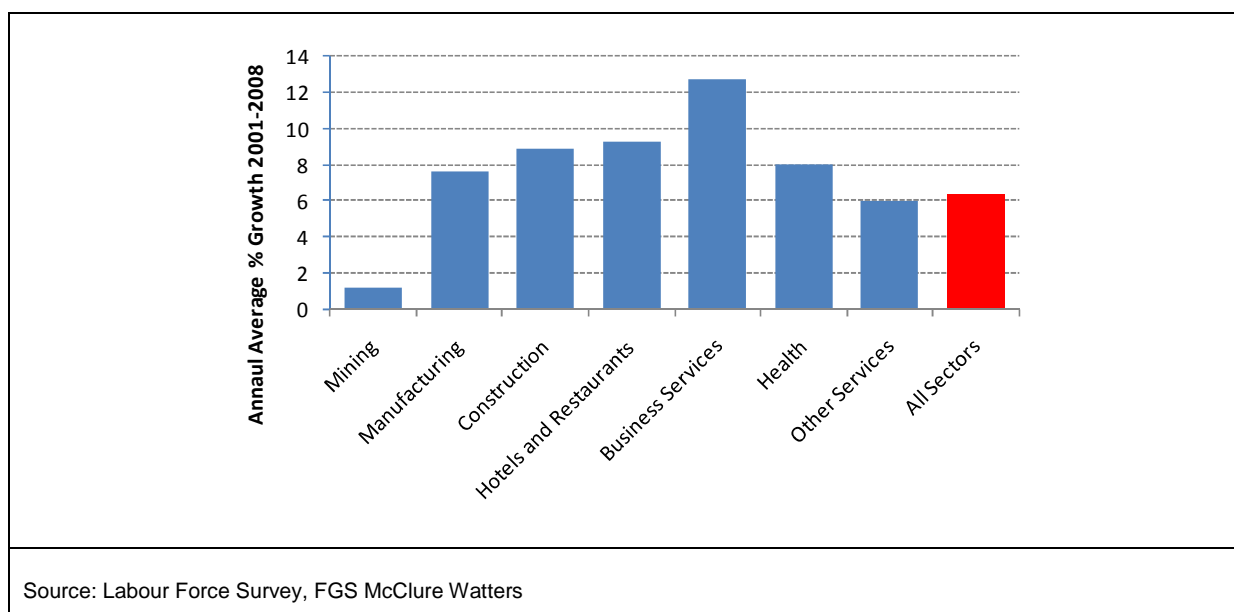


Figure G-9 shows rates of wage inflation for MD occupations at the 2-digit level. Again the story is mixed, with faster rates of wage growth amongst some of the MD occupations, such as managers and proprietors in agriculture and services, science and technology associate professionals and elementary trades, and lower rates of growth in the remaining ten MD occupations.

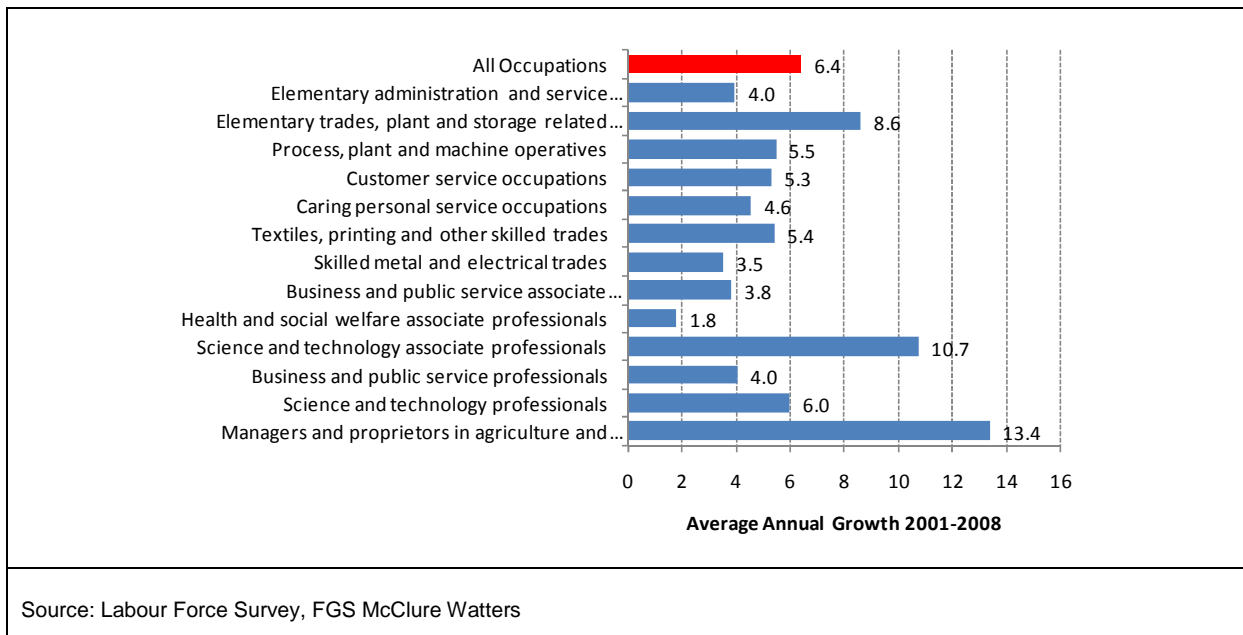
Of the ten MD occupations where non-migrant wage growth is below the whole economy average, five are more than two percentage points below the average. These are:

- Business and public service professionals
- Health and social welfare associate professionals

- Business and public service associate professionals
- Skilled metal and electrical trades
- Caring personal service occupations

Overall, however, for MD occupations there is no clear evidence to suggest that migrant workers have suppressed wages to any significant degree.

Figure G-9: Annual average wage inflation by migrant-dense 2-digit occupation, 2001-2008



Conclusions from the LFS Analysis

The key points to note from the LFS analysis are:

- There is a reasonably even spread of migrant-dense sectors across the economy, including manufacturing, private sector and public sector activities. Some sectors (for example, construction and textile manufacture) have become migrant-dense due to large increases in migrants since 2004.
- Although there are 28 migrant-dense sectors, there are sizeable concentrations of migrants in several key sectors. For migrants that arrived since 2004, the top five MD sectors are:
 - Health and Social Work (21 percent of migrants work in this sector)
 - Manufacture of Food and Beverages (15 percent of migrants work in this sector)
 - Construction (11 percent of migrants work in this sector)
 - Hotels and Restaurants (10 percent of migrants work in this sector)
 - Other Business Activity (3 percent of migrants work in this sector)

These sectors combined account for 60 percent of employment for migrants who arrived since 2004.

- When analysed by occupation, the analysis has shown that MD occupations account for 76 percent of migrant employment. For those migrants that arrived since 2004, MD occupations account for 86 percent with strong concentrations in the lower-skilled occupations such as process, plant and machine operatives (which accounts for 22 percent of that group's employment).
- There is some evidence of displacement of non-migrants from the mining, manufacturing and electricity, gas and water and private households sectors – sectors that have recorded declines in non-migrant employment levels but increases in migrant employment.
- The occupations that have displayed signs of displacement are:
 - Managers in agriculture and services
 - Caring personal service occupations
 - Customer service occupations
 - Elementary administration
- The results of the analysis do not suggest any evidence of involuntary displacement, with unemployment rates of non-migrants having displayed a low, downward pattern until the recent global economic downturn (if the displacement of non-migrants is involuntary, higher rates of non-migrant unemployment would be expected).
- Further analysis of the unemployment trends of non-migrants suggest that a disproportionately large number of unemployed non-migrants come from MD areas of work, particularly at the lower-skilled end. However, it should be noted that these results might have arisen as the result of greater 'churn' in these sectors regardless of the arrival of migrants and are likely statistically insignificant.
- The final area analysed through the LFS to assess the impact of migrants is wages. Specifically, annual average wage growth in MD sectors and occupations has been compared to annual average wage growth in the economy as a whole. The results are mixed with no clear evidence that migrants have suppressed wage inflation to any significant degree.

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THE DEPARTMENT:

Our aim is to promote learning and skills,
to prepare people for work and to support
the economy.

This document is available in other
formats upon request.

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