

Immigration and job-creation: a virtuous circle?

Elena Jurado

Migrant workers are not only here to stay, they have also become an indispensable part of the UK economy

The view of international migration as a natural economic regulator, held by many progressive thinkers, is based on the idea that migrants are more mobile and thus more responsive to economic change than native-born workers. Easier to dismiss and with more limited access to welfare benefits, migrants are often more willing to cross international borders in search of work, thereby easing the burden of job shortages at home. It therefore came as a blow to advocates of this so-called “buffer theory” of migration when, in February of this year, the Office for National Statistics (ONS) published employment figures which appeared to contradict this view. According to these figures, in the 12 months up to October-December 2008, employment of UK-born workers fell by 278,000, whereas employment of non-UK born workers rose by 214,000.

Looking beyond the ONS statistics

How should the ONS figures be interpreted? Do they mean that, in contrast to the “buffer theory,” migrant workers are not only continuing to enter the UK, they are also weathering the recession better than workers born in the UK? There is no space here to enter into all of the potential difficulties with the comparison of UK-born and non-UK born workers conducted by the ONS. Suffice it to say that many migrant workers, especially from A8 countries who often fail to register their presence in the country, may not have been captured in the “non-UK born” category, which also may include British citizens born overseas. Needless to say, these issues were ignored by Sir Andrew Green of Migrationwatch and other supporters of the so-called “balanced approach” to migration who jumped on the ONS figures as “evidence” of what they have been arguing all along, that the UK’s points-based migration policy, which had promised to match the level of immigration to the needs of the British economy, is “pure spin” and migrant workers are taking British jobs away from British workers.

In a paper published by Policy Network this week on the occasion of the launch of a new project on “Managing migration in times of economic turbulence,” supported by the Barrow Cadbury

Trust, Emeritus Professor John Salt and his colleagues Janet Dobson and Alan Latham of UCL highlight migration trends that cast further doubt on the “buffer theory.” In this paper, the authors analyse the latest data on migration trends in the UK, and evidence from across Europe on how past recessions have affected migration flows. They conclude that, while immigration has tended to fall and out-migration rise when unemployment increases, this pattern only lasts for a limited period. In the past three recessions that have affected Britain, inflows began to pick up quickly, before a noticeable improvement in the country’s economic situation. Noting that the latest data on migration in the UK seem consistent with these trends, they warn “if this pattern is repeated in current circumstances, total net immigration may decline less in the immediate future than some anticipate.”

More competition, greater vulnerability?

Taken together, the ONS figures and the findings of John Salt and his colleagues seem to support the need for strong counter-cyclical migration policies where fewer migrants are admitted during an economic downturn and more migrants are sought during periods of expansion. However, a deeper analysis of the data indicates we should proceed more cautiously. First of all, even if more migrants than anticipated remain in the UK, it does not follow that they are somehow responsible for the dramatic rise in unemployment suffered by UK-born workers. This is tantamount to the “lump-of-labour” fallacy, which posits that there are only a fixed number of jobs in the British economy which migrant and non-migrant workers must compete over. In fact, as Rainer Münz, head of research and development of the Erste Bank in Vienna, has explored in his work, under the right conditions, immigration can result in the creation of new jobs by allowing certain sectors to expand which would otherwise face severe labour shortages, thereby facilitating economic growth and increased productivity.

One might argue, however, that during a recession when jobs are by definition in short supply, this virtuous circle of immigration and job creation in host societies no longer holds. When an economy is contracting migrants generate more competition for jobs, thereby increasing unemployment. This may be particularly true for workers in sectors of the economy that are hardest hit by the recession. According to figures issued by the ONS last month on redundancies by industry, these sectors are manufacturing, distribution/hospitality and construction, precisely the occupations where migrants are disproportionately represented. It is therefore not surprising that many commentators have reacted to the ONS comparison of employment among UK and non-UK born workers as evidence that in the current recession employers are favouring migrant workers over “British workers,” perhaps because of the greater vulnerability of the former and thus their readiness to accept drops in wages and working conditions.

Charting a progressive policy response

Where does this leave progressive governments and politicians in their efforts to promote Europe’s economic recovery while heeding the concerns of local workers? In Britain, the government has already extended employment restrictions on Bulgarian and Romanian nationals and toughened the Resident Labour Market Test. The Spanish government has introduced a ‘voluntary repatriation scheme,’ whereby unemployed migrants are paid to return to their source country. However, government levers for controlling the flow of migrants are limited and we should be wary of raising public expectations about the effects these policies will

have. In the UK, EU citizens – including A8 migrants, which constituted the majority of migrants entering the UK last year – fall outside the scope of the new points-based system. For non-EU migrants, the notion that policy can respond quickly to changing economic circumstances is also doubtful, even with the expert services of the new Migration Advisory Committee in hand.

This leaves governments with little choice in the coming months but to identify, develop and modernise policies aimed at improving the economic prospects of migrant and non-migrant workers at home. These policies will need to address the problems faced by UK-born workers, particularly those in low-skilled occupations, where job losses are substantial, by increasing access to training and wage subsidies. However, as the recession takes its toll on migrant workers as well, either through job losses or greater exploitation, governments will also need to step up their efforts to improve their employment situation, including by strengthening and enforcing existing labour market standards. Above all, as the wildcat strikes in several British cities indicate, it will be necessary to invest in integration measures for the whole of society if rising tensions between migrant and non-migrant workers are to be avoided. Ultimately, as John Salt and his colleagues highlight in their paper, migrant workers are not only here to stay, they have also become an indispensable part of the UK economy. Accepting this reality and ensuring that migrant workers are incorporated into the government's economic recovery strategy will form an essential part of its success.

Elena Jurado is head of research at Policy Network