# MAC Call for Evidence on EEA-workers in the UK labour market – Submission from the Greater London Authority

November 2017

## Contents

## Executive Summary

In August 2017, the Migration Advisory Committee (MAC) called for evidence on the role of EEA-workers in the UK labour market. The Mayor of London recognises the significant economic and social contribution non-UK workers make to London and welcomes the opportunity to respond to the Committee's call for evidence.

London is an international city with a long history shaped by globalisation. Its economic performance is linked to its ability to trade domestically and internationally and to attract business investment.[1] As set out in this submission, access to a diverse and highly-skilled labour force – including workers born in the rest of the EEA – is another important part of London's economic success. Our city is comfortable in its diversity and proud of its history, with many people from all over the globe contributing to every aspect of life in our city. It will remain important for the strength of the economy and cannot be separated from a successful industrial strategy.

In light of the decision to leave the EU, there are concerns that limits to the free movement of workers from the EEA will restrict the supply of labour to the London economy. This could result in London losing international competitiveness and constrain business performance, with risks to the significant levels of employment, service exports and fiscal surpluses generated by the London economy.[2]

### EEA Migration Trends

In London, 14 per cent – approximately 748,000 – of jobs in 2016 were held by people born in the EEA.[3] In the rest of the UK only 6 per cent of jobs were held by people born in the EEA. Therefore, EEA-born workers make a far greater contribution to London's labour market than in the rest of the UK, with almost one in three UK jobs filled by EEA-workers found in the capital.

This follows significant growth in the number of jobs filled by EEA-workers. Between 2004 and 2016, the number of jobs in London filled by workers born in the EEA increased by 445,000 or 147 per cent. This was far above the rate of growth in jobs filled by workers born in the UK (+10 per cent) or non-EEA countries (+65 per cent). Data from the International Passengers Survey also shows that flows of long-term EU migrants to London have increased in recent years, surpassing net migration of non-EU citizens since 2013.

EEA-workers in the capital also tend to be younger and more highly qualified than those born in the UK or in non-EEA countries. Around 44 per cent of the jobs filled by EEA migrants are in the three highest-paying occupational groups[4], though this is lower than the share of jobs filled by UK-born workers (65 per cent) and workers born outside of the EEA (50 per cent). Around four out of every 10 EEA-born graduates working in London were in non-graduate roles in 2016.

Looking at occupations in more detail, EEA-workers account for a high share of jobs in Skilled Trades and Elementary roles – representing 29 and 26 per cent of workers with these jobs. Although more jobs are filled by EEA workers in Professional roles than any other occupational group. Relatedly, EEA-workers make a particularly strong contribution in certain industries, making up a third of jobs in London's Construction and Accommodation and food sectors in 2016. In absolute terms, though, EEA migrants also hold a considerable number of jobs in high value-added sectors like Professional, scientific and technical and Financial and insurance activities; as well as public service sectors like Human health and social work and Education.

The vast majority (69 per cent) of jobs filled by EEA-born workers in London are permanent employee jobs. There is also a relatively high share of self-employed jobs filled by EEA-born workers in London, but not

[1] More details can be found here: GLA Economics (2016) Economic Evidence Base for London 2016 (see Chapter 1)

[2] GLA Economics (2016) Economic Evidence Base 2016 (see chapter 1)

[3] This is based on the location of the job, not by the employee's place of residence.

[4] Managers, Directors and Senior Officials; Professional; and Associate Professional and Technical Occupations.

such a high share of temporary employee jobs. This partly reflects the concentration of EEA-born job holders working in the capital's construction sector, where self-employment is common.

The GLA has for several years expressed concern that tighter controls on immigration threaten the efficient workings of London's labour market.[5] Given the contribution of EEA migrant labour in the London economy, the implications of Brexit for free movement of labour heighten these concerns. The availability of skilled staff and international diversity make London a more attractive place to do business, and 'Uncertainty over the UK's role in the EU' and 'Retaining our best people' have been cited as concerns by employers.[6]

**Recruitment Practices, Training & Skills**

The most common methods for hiring EU migrants are online job adverts, UK recruitment agencies and job referral schemes or word of mouth. London-level data suggests that recruitment methods are relatively similar in the capital regardless of country of birth. There is little evidence of employers proactively recruiting migrant workers, although with production industries appear more likely to make use of recruitment agencies based in the EU.

Patterns of recruitment vary considerably by industry sector. Sectors with seasonal or fluctuating employment patterns tend to employ relatively high numbers of EEA migrants to meet changes in demand. Indeed, the most commonly cited reason for employing EU nationals is an inadequate supply of UK-born labour, especially for lower skilled roles. There is some evidence of better work ethic among migrant workers, and this may be (inherently) difficult to replicate among UK workers in certain sectors.[7]

Despite far higher use of EEA-born workers, the incidence of job-related training is higher in London than the rest of the UK. Evidence suggests that employers with skills challenges are more likely to respond by investing in training than recruiting non-UK workers.

**Economic, Social and Fiscal Impacts**

London is the world's leading city for business and finance, research and study and cultural and creative industries. No other global city brings together such a rich mix of goods, services, capital and people. London's international position is a major asset for the UK, including attracting inward investment and increasing trade with other regions. Access to a deep pool of skills and talent is a critical part London's success. A less globally competitive London will impact negatively on activity across the country.

There is broad agreement among economists that labour migration is a net economic benefit over the long term. Both the immigrant and resident populations are likely to see improved living standards (overall) when compared to a situation of zero migration, although the impact on different groups may vary considerably.[8] Concerns over immigration tend to focus on these distributional effects such as the potential for downward pressure on the wages of native workers or job displacement. However, most academic research in the UK points to a relatively benign impact on the UK labour market (in terms of both wages and employment rates) from EU migration.

[5] GLA Economics (2016) Economic Evidence Base 2016
[6] CBI/CBRE (2016) London Business Survey - the survey ran from 28 June to 17 July 2016
[7] National Institute of Economic and Social Research (2016) The impact of free movement on the labour market: case studies of hospitality, food processing and construction
[8] For example, see: Portes, J. (2016) 'Immigration, free movement and the EU referendum'. See also Ozden, C. (2015), 'A long commute'. IMF Finance and Development

## Introduction

The Mayor of London welcomes the chance to respond to the Migration Advisory Committee (MAC) call for evidence on the role of EEA-workers in the UK labour market. EEA migrants make a significant economic and social contribution to London, as the evidence will show. The rest of the report is set out as follows:



Throughout the focus is on the London labour market, with comparisons with the rest of the UK where possible and applicable. In most of what follows, and consistent with recent MAC reports, we use country-of-birth to define migrants as those not born in the UK.[9] In keeping with previous GLA Economics publications, the data is mainly presented on a jobs and not a workers' basis (measured on a workplace basis, i.e. for jobs based within London).[10]

## An overview of London's economy

London is an international city with a long history shaped by globalisation. With a population of almost 8.8 million, its economic success – both historic and future – is linked to its ability to trade domestically and internationally, and to attract business investment and skilled workers.[11]

London's total economic output was worth around £378 billion in 2015, accounting for 22.7 per cent of the UK's total Gross Value Added (GVA), up from 18.7 per cent in 1997.[12] The average London worker is relatively productive – with GVA per workforce job around 36.2 per cent higher than in the rest of the country.[13] The strength of the London economy also generates significant revenues for public finances[14] and supports economic activity in the rest of the UK.[15]

In economic terms, the main driving force for at least the last three decades has been globalisation – the increasingly interrelated nature of the international economy. Globalisation has led to a concentration of activity in areas of comparative advantage around the world. In London, there has been a specialisation in industries such as information and communication, financial services and professional services. These are areas where the capital ranks highly as an international destination for Foreign Direct Investment (FDI).[16] London also generates substantial levels of service exports, particularly to Europe. ONS estimates using UK

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[9] A migrant can be broadly defined as a person who changes their country of usual residence. There are several possible definitions that can be used, each with their own strengths and weaknesses. Country-of-birth represents a consistent and objective measure, but classifies as migrants people who were born abroad but who are nevertheless nationals of the country in which they live (e.g. children born to armed forces personnel stationed in foreign countries).

[10] The number of jobs in London provides an indication of demand on a workplace basis and includes people working but not living in the capital. Note: the number of jobs differs from the number of workers because some people have more than one job.

[11] More details can be found here: GLA Economics (2016) Economic Evidence Base for London 2016 (see Chapter 1)

[12] GLA Economics (2017) Working Paper 87: Productivity Trends: GVA per workforce job estimates for London and the UK, 1997 - 2015

[13] GLA Economics (2017) Working Paper 87: Productivity Trends: GVA per workforce job estimates for London and the UK, 1997 - 2015

[14] For analysis of the contribution of UK cities to the UK's public finances see: ONS (2017) Country and regional public sector finances: Financial year ending March 2016; Centre for Cities (2016) 10 years of tax: How cities contributed to the national exchequer from 2004/05 to 2014/15

[15] See for analysis on this point: GLA Economics (2014) Growing Together II: London and the UK Economy

[16] GLA Economics (2016) Economic Evidence Base for London 2016

Balance of Payments data suggest that London exported around £100.4 billion worth of services in 2015 – 46 per cent of the UK total. Almost four-fifths (37 per cent) of London's service exports are to the EU.[17]

The success of London's economy draws in people from across the world who in turn contribute to London's success and appeal. The proportion of residents born outside of the UK more than doubled between 1981 and 2011 (from 18 per cent to 37 per cent)[18] and it now has the second largest foreign-born population among world cities.[19] The availability of skilled workers is a key feature of London as a global city. For example, the recent Cultural and Creative Cities Monitor ranked the capital as a leading European city for access to human capital and openness.[20] Higher skill levels among the workforce also help to explain its higher productivity with the rest of the country.[21]

London's economy (and certain sectors therein) includes a far higher share of workers from the EEA than the rest of the UK. Between 2004 and 2016, the number of jobs filled by workers born in the EEA increased by 445,000 or 147 per cent. These jobs tend to be held by relatively young and highly qualified workers, with the average migrant worker estimated to have contributed an additional £46,000 in GVA to the London economy in 2015.[22]

There are now some preliminary signs that EEA-workers are less willing to move to the UK.[23] The impact of lower net migration for different sectors will depend on a range of factors, such as whether there are feasible alternatives to the existing supply of migrant labour. However, employers in London repeatedly report skills-shortage vacancies and skills gaps in their workforce, which can have a negative impact on their potential to grow.[24] There is a risk that further restrictions in the availability of migrants could impact negatively on the competitiveness of the London economy, and subsequently the rest of the UK, particularly if London attracts more skilled workers from other parts of the country as a result.[25]

## GLA detailed responses to the MAC's call for evidence

Having set out the London context, we now turn to the questions detailed in the MAC call for evidence. We have sought to respond to each of the questions where appropriate, and where we have access to relevant evidence and examples. We would be happy to discuss our answers and data with the MAC further.

## EEA Migration Trends

### Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc.) of EEA migrants in your particular sector/local area/region. How do these differ from UK workers? And from non-EEA workers?

#### The number of jobs held by EEA-born workers

Workers from overseas make a greater contribution to the London economy than in the rest of the UK. Almost one in three of the jobs held by workers born in the rest of the EEA in the UK is based in the capital.[26] As Figure 1 shows, 14 per cent – approximately 748,000 – of jobs in London were filled by people born in the rest of the EEA in 2016, with another 1.4 million or 26 per cent of jobs filled by people from

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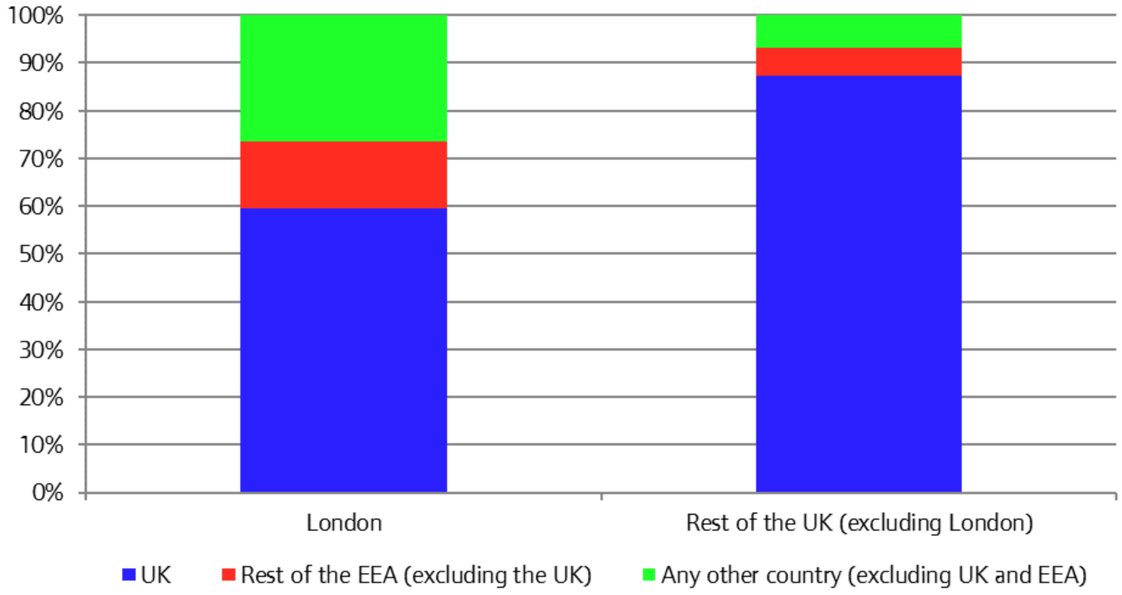
[17] GLA Economics (2017) An analysis of London's exports (forthcoming).
[18] ONS Census data commissioned tables: 1981-2011. Notes: the London population is a count of residents for 1981, and all usual residents from 1991 onwards
[19] GLA Economics (2016) Economic Evidence Base for London 2016
[20] European Commission (2017) The Cultural and Creative Cities Monitor 2017. Also see: Cushman & Wakefield (2006-2011); PwC (2016) Cities of Opportunity
[21] CBI (2016) Unlocking Regional Growth; Understanding the drivers of productivity across the UK's regions and nations
[22] PwC (2017) Facing Facts: The impact of migrants on London, its workforce and its economy
[23] ONS (2017) Migration Statistics Quarterly Report: August 2017
[24] UKCES (2016) Employer Skills Survey 2015
[25] HM Government (2017) Green Paper: Building our Industrial Strategy
[26] Unless otherwise stated references to the EEA in this paper exclude the UK.

outside the EEA. The equivalent figures for the rest of the UK are 6 per cent from the rest of the EEA and 7 per cent from non-EEA countries.[27]

**Figure 1: Percentage of jobs in London and the rest of the UK by country/area of birth, 2016**




Source: Office for National Statistics, Annual Population Survey

The share of jobs filled by EEA workers in London is almost twice as high as in any other region or country within the UK. Northern Ireland and the East of England have the next highest proportions of jobs filled by workers born in the rest of the EEA – both 8 per cent.[28] By comparison, only 3 per cent of jobs are held by workers born in the rest of the EEA in the North East of England. This rest of this section will look at the characteristics of workers in the London labour market by country of birth, with a focus on EEA migrants.

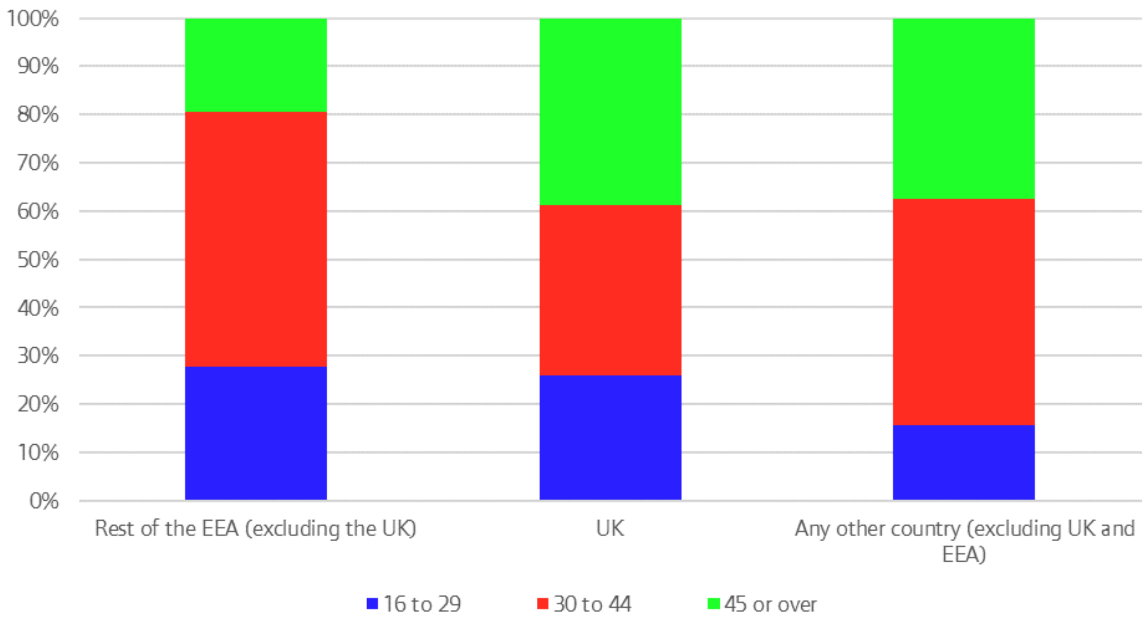
### Age profile of EEA-born job holders

EEA-born workers in the London labour market tend to be younger than those London workers born in the UK or elsewhere. Figure 2 sets out the age profile of jobs holders by country or area of birth. It shows that, of the 748,000 jobs filled by workers born in the rest of the EEA in the capital, 28 per cent were held by younger workers (16-29) and 53 per cent by workers aged 30-44. Compared to those born in the UK or non-EEA countries, there is higher share of jobs filled by EEA-born workers in the 16-29 age group and especially the 30-44 age group.

[27] Note: looking at the data on a nationality and workers (rather than jobs) basis provides similar figures. Overall, there were 586,000 EU workers in London in 2016, accounting for 13 per cent of all workers, compared to 4 per cent in the rest of the UK. Source: ONS (2017) International immigration and the labour market, UK: 2016

[28] Although the relatively high share of jobs filled by workers born in the rest of the EEA in Northern Ireland is partly due to jobs held by workers from the Republic of Ireland – more so than for other regions/countries in the UK.

**Figure 2: Percentage of jobs in London by country/area of birth and age of job holder, 2016**




Source: Office for National Statistics, Annual Population Survey

Only 19 per cent of the jobs filled by workers born in the rest of the EEA in London were held by people aged 45 or over. This compares to 39 per cent of jobs held by workers born in the UK and 37 per cent for other non-EEA countries. EEA workers in London are also younger than in the rest of the UK, with 81 per cent of EEA-born job holders in London aged under 45, compared to 76 per cent in the rest of the UK.

**Skills level of EEA-born job holders**

Table 1 shows a breakdown of jobs held according to country and area of birth and highest qualification held. It shows that London has a highly-skilled economy, with around 60 per cent of jobs filled by workers educated at higher education or above. As set out later, access to a deep and highly-skilled labour force is an important factor in making London an attractive and competitive location for a wide range of businesses.[29]

Looking in more detail by country/area of birth, approximately 62 per cent of jobs filled by EEA-born are held by workers who have obtained a qualification level of higher education or above – 465,000 jobs in total. This is above the share of jobs held by UK-born (59 per cent) and non-EEA born workers (60 per cent) with this qualifications level. Yet even these figures are likely to underestimate the level of qualifications or skills for EEA migrants, given the high share of 'other qualifications' held by the group.[30] Conversely only 3 per cent of the jobs filled by EEA-born workers are held by workers with no qualifications, compared to 6 per cent for non-EEA born job holders.

[29] GLA Economics (2016) Economic Evidence Base for London 2016

[30] 19 per cent of jobs filled by workers born in the EEA are held by workers with 'other qualifications', compared to 4 per cent for workers born in the UK and 15 per cent for non-EEA countries. Another way of assessing educational levels is to look at data relating to the age at which people left formal education. This suggests that the difference in education levels for employees born in the EEA and UK could be even more significant than set out above. See: Social market Foundation (2017) Working Together? The impact of the EU referendum on UK employers.

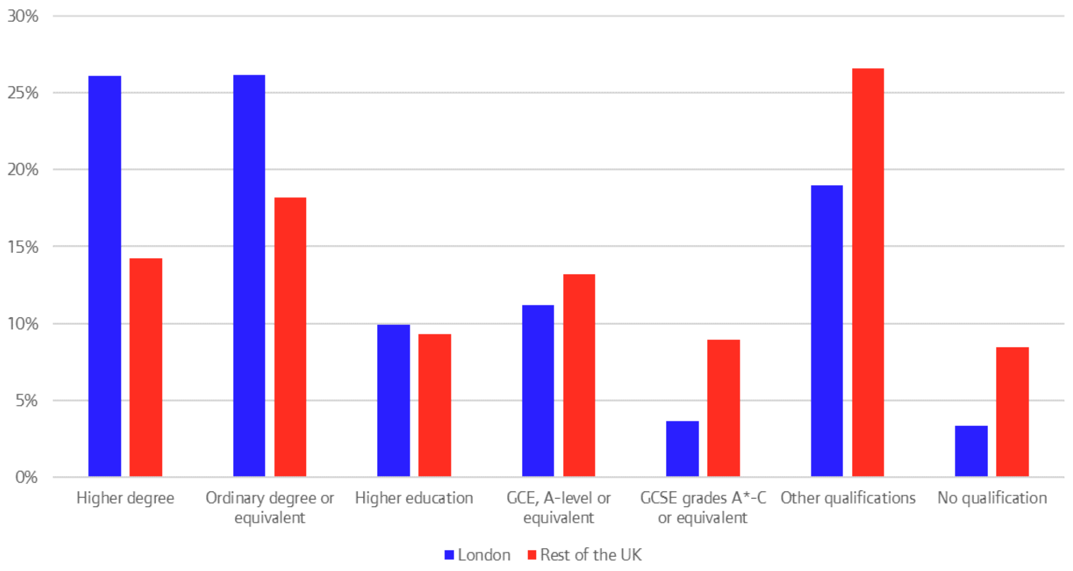
**Table 1: Percentage of jobs in London by highest qualification and country/area of birth, 2016**

| Highest qualification | Born in the UK | Born elsewhere in the EEA (excluding the UK) | Born in any other country (excluding UK and EEA) | Total from all countries |
|---|---|---|---|---|
| Higher degree | 18% | 26% | 24% | 21% |
| Ordinary degree or equivalent | 35% | 26% | 28% | 32% |
| Higher education | 6% | 10% | 7% | 7% |
| GCE, A-level or equivalent | 19% | 11% | 10% | 15% |
| GCSE grades A*-C or equivalent | 15% | 4% | 8% | 12% |
| Other qualifications | 4% | 19% | 15% | 9% |
| No qualification | 3% | 3% | 6% | 3% |
| **Total** | **100%** | **100%** | **100%** | **100%** |

Source: Office for National Statistics, Annual Population Survey

EEA-born job holders in London are also more highly qualified than EEA born workers in the rest of the UK. In the rest of the UK, only 42 per cent of jobs were held by people with a qualification level of higher education or above.[31] This is partly a reflection of differences in the types of jobs EEA migrants hold.

**Figure 3: Percentage of jobs held by EEA-born workers by highest qualification, London vs Rest of the UK, 2016**




Source: Office for National Statistics, Annual Population Survey

Table 2 shows a breakdown of major occupational groups in London by country and area of birth. Compared to the qualifications profile of job holders, jobs filled by EEA workers are more evenly distributed between higher and lower skilled occupational groups than for jobs held by workers born in the UK. For instance, 46 per cent of the jobs filled by EEA workers are in three highest-paying occupational groups (Managers, Directors and Senior Officials, Professional Occupations, and Associate Professional and Technical Occupations). This is higher than for job holders born in the EEA in the rest of the UK (30 per cent – see Figure 5), but lower than for either UK (65 per cent) or non-EEA (50 per cent) workers in London. At the same time, 15 per cent of jobs held by EEA workers in London are in Elementary Occupations – this is higher than for workers born in the UK (5 per cent), despite EEA workers relatively skilled qualifications profile.

[31] In total, 41 per cent of the jobs held by EEA workers with higher level qualifications in the UK are based in London. Source: ONS Annual Population Survey, 2016. Note: job holders does not equate to individual workers.

**Table 2: Percentage of jobs in London by major occupational group and country/area of birth, 2016**

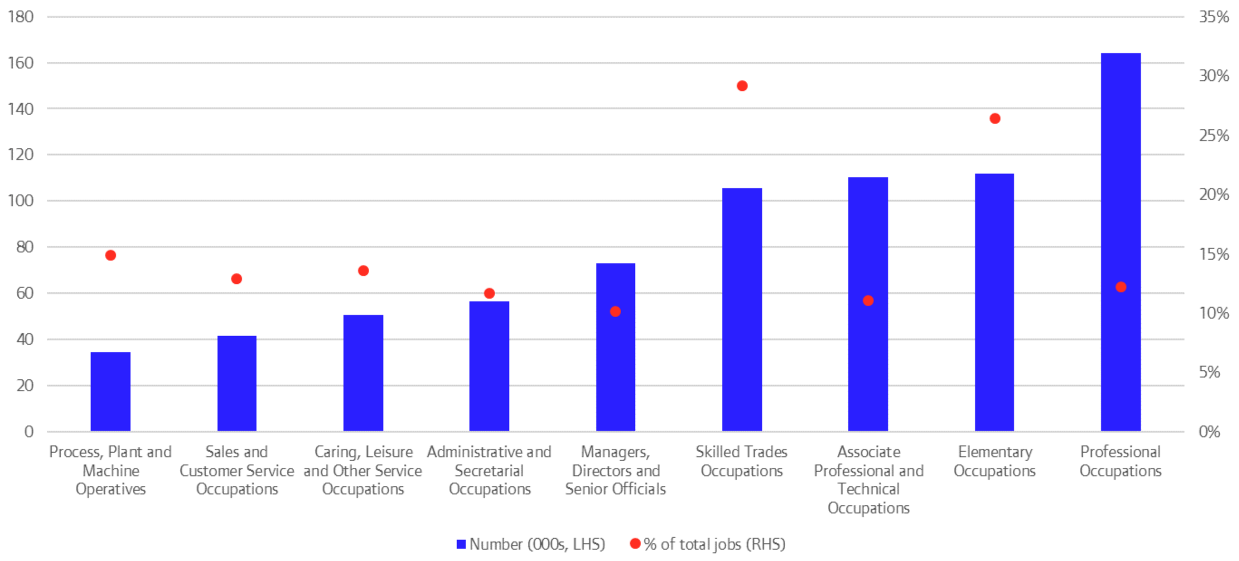
| Major occupational category | Born in the UK | Born elsewhere in the EEA (excl. UK) | Born in any other country (excl. UK/EEA) | Total from all countries |
|---|---|---|---|---|
| Managers, Directors and Senior Officials | 16% | 10% | 11% | 14% |
| Professional Occupations | 27% | 22% | 25% | 26% |
| Associate Professional and Technical Occupations | 22% | 15% | 14% | 19% |
| Administrative and Secretarial Occupations | 10% | 8% | 8% | 9% |
| Skilled Trades Occupations | 6% | 14% | 6% | 7% |
| Caring, Leisure and Other Service Occupations | 6% | 7% | 9% | 7% |
| Sales and Customer Service Occupations | 5% | 6% | 8% | 6% |
| Process, Plant and Machine Operatives | 3% | 5% | 7% | 4% |
| Elementary Occupations | 5% | 15% | 12% | 8% |
| **All occupations** | **100%** | **100%** | **100%** | **100%** |

Source: Office for National Statistics, Annual Population Survey

In absolute terms, the highest number of jobs held by EEA workers are in Professional Occupations (164,000). However, it is Skilled Trades and Elementary Occupations that have the highest proportions of workers born in the EEA in London. As Figure 4 shows, EEA workers are well represented in these roles – accounting for 29 per cent (Skilled Trades) and 26 per cent (Elementary) of jobs in 2016. Skilled Trades may be of particular interest given the level of training required and high incidence of skills shortages reported in these roles[32]; while the latter tends to be lower-skilled, requiring fewer formal qualifications than other roles.

**Figure 4: Number and percentage of jobs filled by EEA-born workers by major occupational group, London, 2016**

figures displayed in thousands

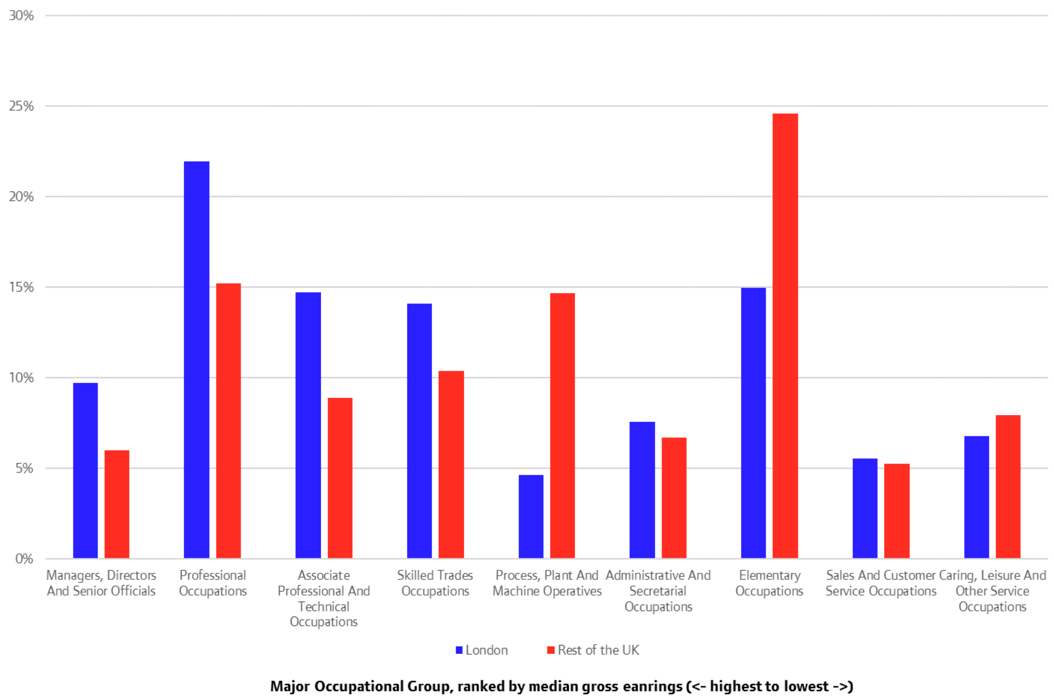



Source: Office for National Statistics, Annual Population Survey

In the rest of the UK, by comparison, EEA workers make up a relatively high share of jobs in Process, Plant and Machine Operatives and Elementary Occupations – representing 13 per cent and 12 per cent of these jobs respectively. In absolute terms, the highest number of jobs filled by workers born in the EEA in the rest of the UK is in Elementary Occupations (392,000).

[32] UKCES (2016) Employer Skills Survey 2015

**Figure 5: Percentage of jobs filled by EEA-born workers by major occupational group, London and the rest of the UK, 2016**




Source: Office for National Statistics, Annual Population Survey

The difference between the qualifications and occupations of EEA-born workers in London is reflected in a high incidence of 'over-qualification'. For London, an estimated 44 per cent of graduates born in the EEA were working in non-graduate roles in 2016, compared to only one in four (26 per cent) graduates born in the UK and 38 per cent born in the rest of the world.[33] Previous GLA Economics work has shown that non-UK born workers with higher education or above are more likely than their UK born counterparts to work in lower skilled occupations such as Caring, Leisure and Other Services and Sales and Customer Services.[34] Several factors contribute to higher rates of over-qualification for migrant workers, including differences in language proficiency, lack of local labour market experience, difficulties in recognising foreign credentials and education, and pay differentials between country of origin and destination.[35,36]

It is worth noting that London is below the UK-wide average for EEA graduates working in non-graduate roles (51 per cent). There is also a potential advantage for UK workers if the clustering of migrant workers in routine or labour-intensive occupations allows them to specialise and upgrade their own skills.[37] Moreover, some EEA workers may choose to work in lower-skilled roles to improve other skills, such as their English language skills, before moving on to more skilled labour. We look closer at occupational trends in the migration patterns section below.

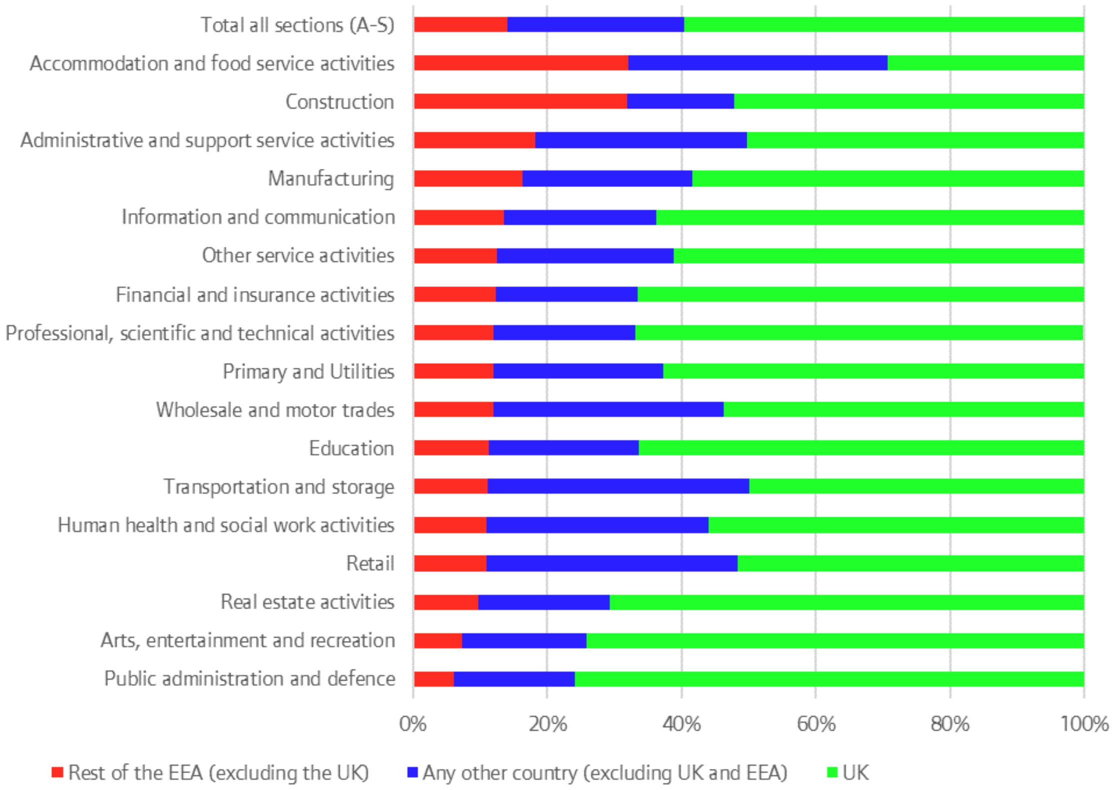
## Types of jobs held by EEA-born workers

EEA workers are an even more crucial part of the London labour force in certain industries. Figure 6 shows a breakdown of jobs by industry and country and area of birth. Sectors making particular use of labour from EEA-born individuals include Accommodation and food services and Construction. In both cases around a

[33] Note: a graduate is defined as a person who is aged over 20, not enrolled on any educational course and who has a level of higher education above A level standard. Male graduates are aged between 21 and 64, female graduates are aged between 21 and 59. Researchers at the University of Warwick and the University of the West of England have defined a non-graduate role as one which is associated with tasks that do not normally require knowledge and skills developed through higher education to enable them to perform these tasks in a competent manner. Examples of non-graduate jobs include receptionists, sales assistants, many types of factory workers, care workers and home carers.
[34] GLA Economics (2016) Economic Evidence Base for London 2016 (see chapter 9)
[35] Migration Policy Institute (2013) Tackling Brain Waste: Strategies to Improve the Recognition of Immigrants' Foreign Qualifications
[36] Stirling, A (2015) Migrant employment outcomes in European labour markets, Institute for Public Policy Research.
[37] Constant, A. (2014) Do migrants take the jobs of native workers? IZA World of Labor 2014: 10

third (32 per cent) of jobs in London were held by workers born in the EEA in 2016. Other industries with an above average share of jobs filled by EEA workers are Administrative and support service activities and Manufacturing (18 and 16 per cent of jobs respectively); while the sectors with the lowest share of EEA workers are Public administration and defence and Arts, entertainment and recreation (6 and 7 per cent of jobs).

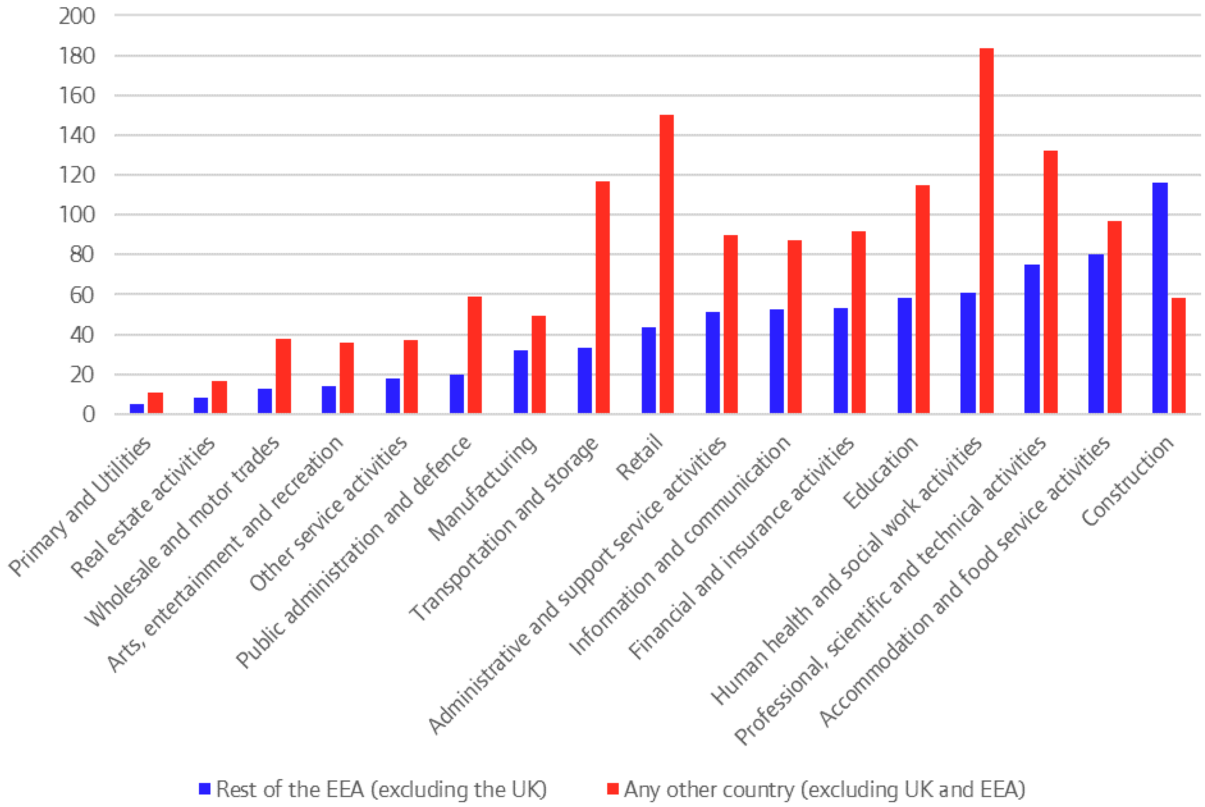
**Figure 6: Percentage of jobs by industry and country/area of birth, London, 2016**




Source: Office for National Statistics, Annual Population Survey

Looking at jobs by industrial sector in absolute terms also helps to highlight some notable features of the London labour market (Figure 7). The Accommodation and food services and Constructions sectors again have a strong contribution from EEA migrants, with 80,000 and 116,000 jobs filled by workers born in the rest of the EEA in 2016. However, EEA-born workers also account for a considerable number of jobs in sectors not mentioned above. This includes high value-added services like Professional, scientific and technical activities (75,000 jobs), Financial and insurance activities (53,000 jobs) and Information and communication (52,000 jobs); and public service sectors like Human health and social work (61,000) and Education (58,000).

**Figure 7: Jobs by industry by country/area of birth (non-UK only), London, 2016**
figures displayed in thousands




Source: Office for National Statistics, Annual Population Survey

It is also clear from Figure 6 and Figure 7 that some sectors in London include a higher share of workers born in non-EEA countries than others. For example, non-EEA born workers hold more than one in three jobs in London in Transportation and storage (39 per cent), Accommodation and food service activities (39 per cent), Retail (37 per cent), and Human health and social work activities (33 per cent). This compares to an average for all sectors of 26 per cent.

Examining industry codes in more detail shows that workers born in the EEA make up a much higher share of workers in certain sub-sectors in London. Table 3 sets out the 5-digit SIC industrial sub-classes where there is 95 per cent probability of more than 14 per cent of jobs being done by a worker born in the rest of the EEA. Some of these detailed industry groups are relatively small (e.g. Translation and interpretation activities), but others represent a more significant share of the labour market. This includes Licensed restaurants (30,000 or 40 per cent of jobs are held by EEA-born workers in this sector in London), Construction of domestic buildings (23,000 jobs or 31 per cent), and Hotels and similar accommodation (22,000 jobs or 47 per cent).

**Table 3: Industrial sub-classes where there is 95% probability of more than 14% of jobs being done by a worker born in an EEA country, London, 2014 to 2016**

| SIC industry description | Total number of jobs | Born in an EEA country (excluding UK) | |
|---|---|---|---|
| | | Number | % |
| Other building completion and finishing | 10,000 | 5,000 | 48% |
| Hotels and similar accommodation | 47,000 | 22,000 | 47% |
| Painting | 20,000 | 9,000 | 44% |
| Other cleaning services | 11,000 | 5,000 | 44% |
| Licensed restaurants | 75,000 | 30,000 | 40% |
| Joinery installation | 19,000 | 7,000 | 37% |
| Activities of households as employers of domestic personnel | 18,000 | 7,000 | 37% |
| General cleaning of buildings | 57,000 | 18,000 | 32% |
| Construction of domestic buildings | 74,000 | 23,000 | 31% |
| Translation and interpretation activities | 7,000 | 2,000 | 31% |
| Other specialised construction activities n.e.c. | 15,000 | 5,000 | 31% |
| Freight transport by road | 12,000 | 4,000 | 30% |
| Dental practice activities | 17,000 | 5,000 | 29% |
| Construction of commercial buildings | 60,000 | 15,000 | 25% |
| Unlicensed restaurants and cafes | 34,000 | 8,000 | 23% |
| Child day-care activities | 36,000 | 8,000 | 22% |
| Hairdressing and other beauty treatment | 37,000 | 8,000 | 21% |

Source: Office for National Statistics, Annual Population Survey three-year dataset (2014-2016)

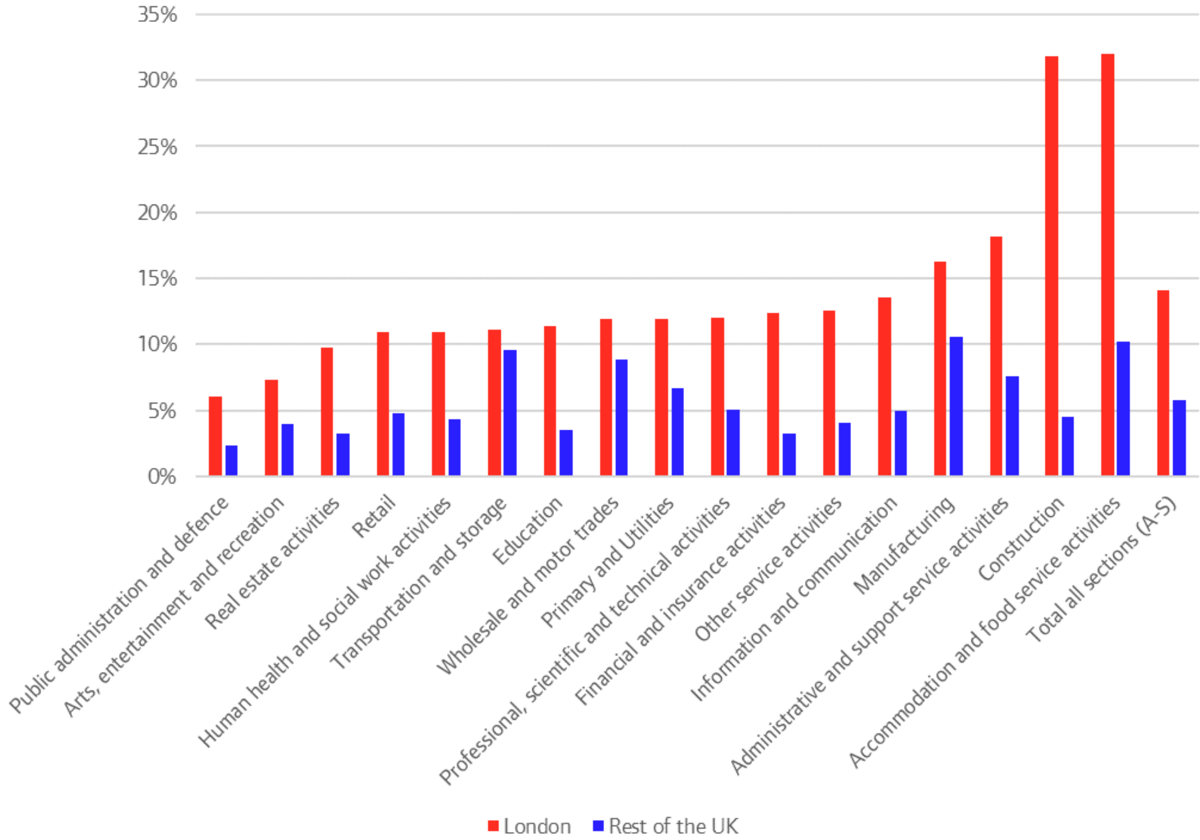
Table 3 also brings to attention other areas where there is a strong contribution from EEA workers. For example, Dental practice activities (29 per cent of jobs filled by EEA-born workers) and Child day-care activities (22 per cent of jobs). These are socially important activities with documented concerns about labour shortages.[38,39]

At the same time, when compared to other parts of the UK, London has a high proportion of EEA workers across all sectors. Figure 8 shows the proportion of jobs held by job holders born in the EEA by broad industry group for London and the rest of the UK. Unsurprisingly, it is Construction and Accommodation and food service activities where the difference is most pronounced in relative terms. In absolute terms London accounts for over half of all UK jobs filled by EEA-born workers in three sector groups: Financial and insurance activities (67 per cent), Information and communication (54 per cent) and Construction (58 per cent). The first two are sectors where the London economy is highly specialised; but the latter reflects the far higher use of EEA-born workers in London compared to the rest of the country.

[38] Steve Williams, Association of Dental Groups (2017) The Implications of Brexit

[39] Liz Bayram, PACEY (2016) Brexit – does it matter for early years?

**Figure 8: Percentage of jobs held by EEA-born job holders by industry, London and the rest of the UK, 2016**




Source: Office for National Statistics, Annual Population Survey

### To what extent are EEA migrants seasonal; part-time; agency-workers; temporary; short-term assignments; intra-company transfers; self-employed? What information do you have on their skill levels? To what extent do these differ from UK workers and non-EEA workers?

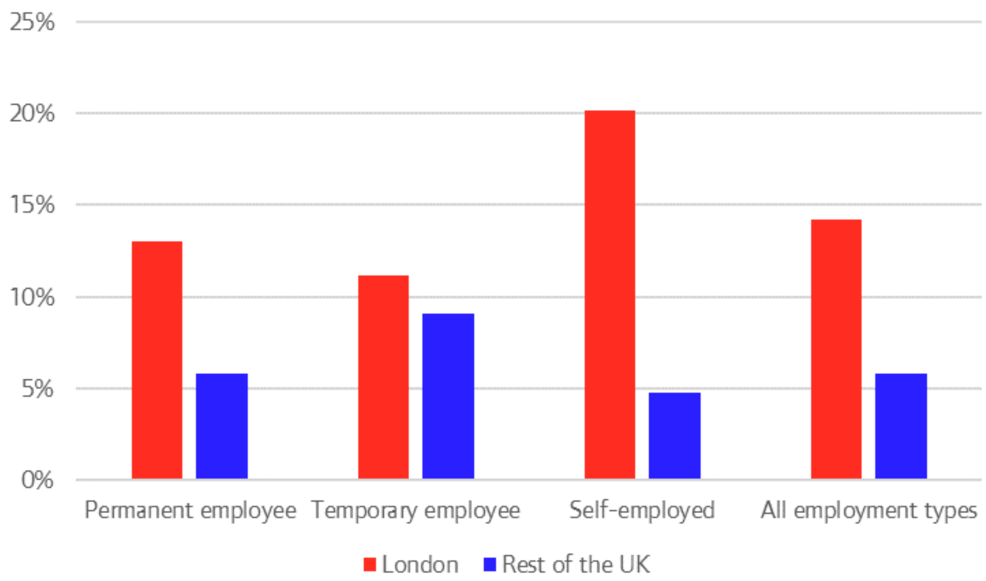
Figure 9 sets out the number of jobs in London by country and area of birth and employment type. It shows that most jobs held by EEA-born workers in London are in permanent roles: of the 748,000 jobs held by EEA born workers in 2016, 69 per cent (or 517,000) were in permanent employee positions, 27 per cent (198,000) were self-employed and 4 per cent (90,000) were in temporary jobs. The share of jobs filled by EEA workers that are permanent is lower than for workers born in the UK (78 per cent) and non-EEA countries (74 per cent).

**Figure 9: Percentage of jobs in London by country/area of birth and employment type, 2016**


Source: Office for National Statistics, Annual Population Survey

In London, the difference is the prevalence of self-employment among EEA-born workers, but not in the rate of temporary employment. Relative to their share of all jobs filled (14 per cent), EEA-born workers are overrepresented in terms of self-employed jobs (20 per cent), evenly-represented in terms of permanent employee jobs (13 per cent) and underrepresented in terms of temporary employee jobs (11 per cent). This partly reflects the high number of EEA-born job holders in the Construction sector in London, where self-employment is relatively common.[40] There has also been considerable growth in the number of EEA workers in London's creative economy in recent years (another area where self-employment is prevalent).[41] As Figure 10 shows, EEA workers in the rest of the UK account for a similar proportion of temporary jobs (9 per cent), but a lower share of permanent (6 per cent) and self-employed jobs (5 per cent).

**Figure 10: Percentage of jobs held by EEA-born workers by employment type, London vs. Rest of the UK, 2016**




Source: Office for National Statistics, Annual Population Survey

[40] ONS (2016) Trends in self-employment in the UK: 2001 to 2015
[41] GLA Economics (2017) London's creative industries - 2017 update

The occupational distribution of EEA workers across different employment types is also of interest because it sheds light on the kinds of jobs EEA migrants perform. Overall, 54 per cent of the jobs filled by workers born in the EEA in the capital are in the major occupational groups 1-4 (dominated by the higher-skilled major groups 1-3[42]), a similar share to workers born outside of the EEA. As you would expect, this rises when focusing solely on permanent jobs filled by EEA workers (60 per cent). However, over half (51 per cent) of temporary employee jobs are also in SOC groups 1-4 and 37 per cent for self-employed jobs.

**Table 4: Employment status by combined occupational category, jobs filled by EEA-born workers, London, 2016**
figures displayed in thousands

| Employment status | Total | SOC 1-4 | | SOC 5-9 | |
|---|---|---|---|---|---|
| | | Number | % | Number | % |
| Permanent employee | 517 | 313 | 60% | 205 | 40% |
| Temporary employee | 31 | 16 | 51% | 15 | 49% |
| Self-employed | 198 | 74 | 37% | 124 | 62% |
| **All employment types** | **748** | **404** | **54%** | **344** | **46%** |

Source: ONS Annual Population Survey. Note: occupational groups have been combined to avoid disclosure problems

This suggests there is a mix of higher and lower skilled roles performed by EEA workers across employment types in London. Further, while most of the self-employed jobs filled by EEA workers are in SOC groups 5-9, this is likely to reflect the significant number working in Skilled Trades Occupations (SOC group 5) – jobs that are often high skilled and subject to skills shortages in London (see page 31).

**Box 1: Freelance workers in the Creative Economy**

Short-term and short-notice access to a diverse range of freelance talent is critical for the business models of many creative enterprises and cultural organisations that operate on a project-by-project (or production-by-production) basis.[43] Overall, 12.3 per cent of jobs in London's Creative Economy are held by workers born in other EEA countries (excluding UK), and almost one in three (29 per cent) of these jobs are self-employed roles.[44] Freelance and portfolio work is common in industries such as advertising, design, and other areas where London has a strong competitive position.[45] For example, the Visual-Effects Industry (VFX) industry is heavily concentrated in central London, which is home to five of the largest award-winning VFX companies in the world. EU workers currently account for 25 per cent of the sector's UK workforce. For creative/operational roles alone, 31 per cent of workers are from EU/EEA countries (excluding UK and Ireland).[46] The need for workforce flexibility should be recognised in future visa rules.

### Are there any relevant sources of evidence, beyond the usual range of official statistics, that would allow the MAC to get a more detailed view of the current patterns of EEA migration, especially over the last year?

There are several sources of additional evidence that could be used by the MAC to inform future work. This includes General Practice patient registration and/or school census data, which are likely to record migrant children, unlike other administrative sources. As highlighted elsewhere[47], there is potential for linking DWP

[42] SOC groups 1-4 includes: Managers, Directors and Senior Officials; Professional Occupations; Associate Professional and Technical Occupations; and Administrative and Secretarial Occupations. These are mainly higher skilled occupational groups, although Administrative and Secretarial Occupations are usually classified as mid- or lower-skilled. SOC groups 5-9 includes: Skilled Trades Occupations; Caring, Leisure and Other Service Occupations; Sales and Customer Service Occupations; Process, Plant and Machine Operatives; and Elementary Occupations. These are mainly mid- or lower-skilled occupational groups, although Skilled Trades are sometimes considered higher skilled.
[43] Creative Industries Federation (2016) Brexit Report
[44] ONS (2016) Annual Population Survey. For more information see: GLA Economics (2017) London's creative industries - 2017 update
[45] For more on freelancing see: Creative Industries Federation (2017) Creative Freelancers. For more on creative clusters in London see: Sir Peter Bazalgette (2017) Independent Review of the Creative Industries
[46] Figures provided by UK Screen, see: Creative Industries Federation (2016) Brexit Report
[47] For example, see: ONS (2017) International migration data and analysis: Improving the evidence, February 2017

and HMRC data to find out more about where EEA migrant workers live (for those in employment or claiming benefits), their nationality at registration, the sectors they work in, how much they earn, benefits claimed and taxes paid.

The Mayor and GLA has also engaged extensively with business, employers, universities and public service providers. This is through the Mayor's Brexit Advisory Panel and Business Advisory Board, along with hosting sector roundtables and a migration summit since the referendum result. This engagement has informed this response and the Mayor's future approach to immigration.[48] In particular, it has highlighted concerns about the limitations of replacing freedom of movement with a single visa system (for EEA and non-EEA workers) and the importance of guaranteeing the long-term status of EEA nationals in the UK. If the MAC would like more detail, we are happy to provide further feedback from these meetings.

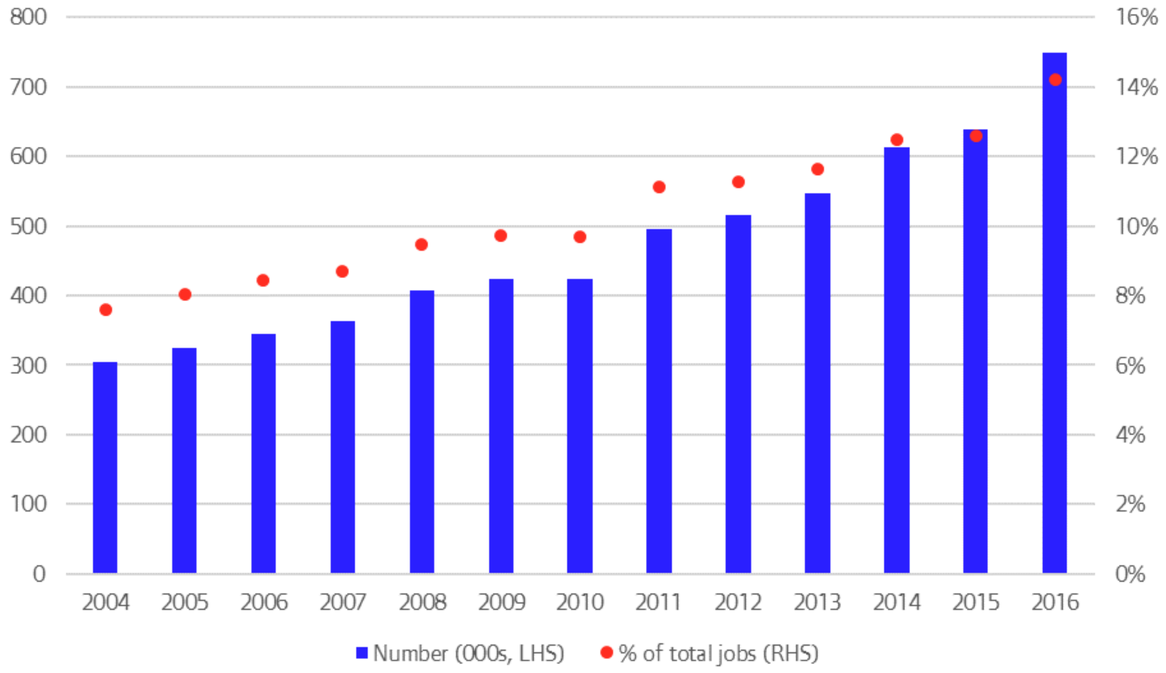
## Have the patterns of EEA migration changed over time? What evidence do you have showing your employment of EEA migrants since 2000? And after the Brexit referendum? Are these trends different for UK workers and non-EEA workers?

Having discussed the characteristics of EEA workers in London's labour market, this section will focus on patters of EEA migration since 2004. It will look at changes in the stock of workers born in the EEA in the London labour market using ONS Annual Population Survey data, and trends in the flows of workers from the EU and non-EU countries to/from London using International Passengers Survey data.

### Trends in stocks of EEA-born workers

The number of jobs held by EEA-born workers in London has increased significantly since 2004. As Figure 11 shows, the total number of jobs filled by workers born in the EEA more than doubled between 2004 and 2016, rising from 304,000 to 748,000 – an increase of 445,000 or 147 per cent. EEA-born workers accounted for less than 8 per cent of London's jobs in 2004, but over 14 per cent of jobs in 2016.

**Figure 11: Number (LHS) and share (RHS) of jobs, EEA-born job holders, London, 2004 to 2016**
figures displayed in thousands




Source: Office for National Statistics, Annual Population Survey

During this time, the rate of growth in jobs filled by EEA-born workers in London has exceeded that for jobs held by workers born in the UK (up 10 per cent) and those born outside of EEA countries (up 65 per cent).

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[48] Mayor of London (2017)

Although, in absolute terms the increase in jobs filled by non-EEA born workers (+545,000) was higher, with lower relative growth reflecting a higher starting base.

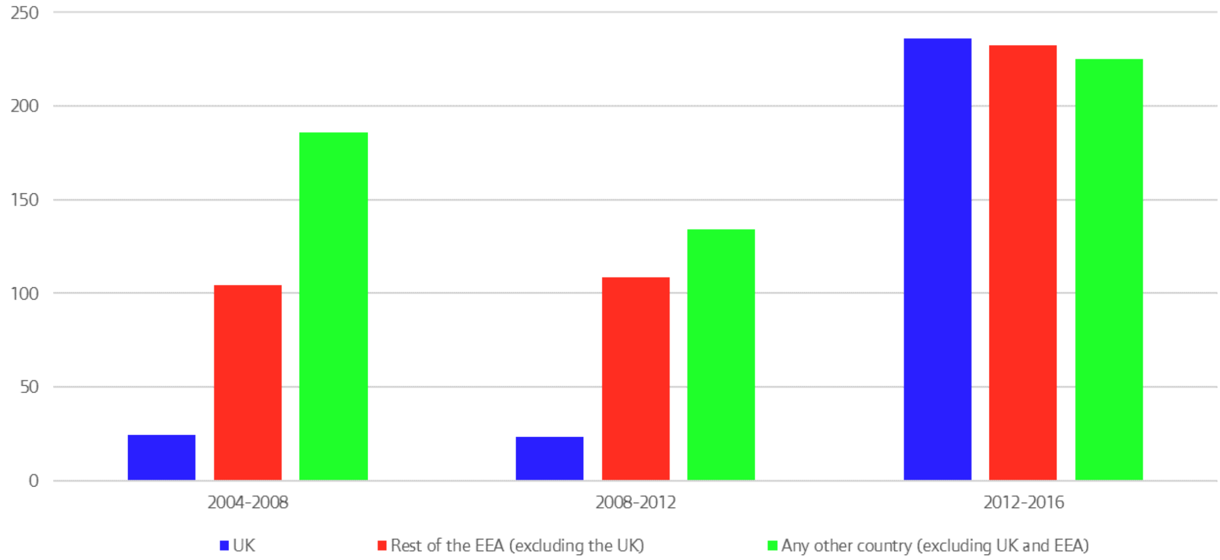
**Table 5: Change in the number of jobs by country/area of birth, London, 2004-2016**
figures displayed in thousands

| Country/area of birth of job holder | 2004 | 2016 | Change | |
|---|---|---|---|---|
| | | | Numbers | % |
| UK | 2,848 | 3,132 | 284 | 10% |
| Rest of the EEA (excluding the UK) | 304 | 748 | 445 | 147% |
| Any other country (excluding UK and EEA) | 844 | 1,389 | 545 | 65% |
| **Total from all countries** | **3,996** | **5,271** | **1,274** | **32%** |

Source: Office for National Statistics, Annual Population Survey

Growth in jobs filled by EEA-born workers in London has been particularly strong in recent years, rising by 232,000 or 45 per cent between 2012 and 2016, compared to 34 per cent growth from 2004 to 2008 and 27 per cent growth from 2008 to 2012. Nevertheless, the growth in the number of jobs filled by UK-born workers exceeded jobs growth for workers born in other EEA or non-EEA countries since 2012. Therefore, while the success of London's economy draws in people from across the world for employment, as well as expanding the labour supply, immigration can also increase the demand for UK-born labour.

**Figure 12: Change in the number of jobs by country/area of birth, London, 2004-2016**
figures displayed in thousands




Source: Office for National Statistics, Annual Population Survey

The fact that high demand for jobs filled by UK-born workers has coincided with high growth in the number of jobs filled by workers born in the rest of the EEA and non-EEA countries also suggests that migrant workers have tended to complement – and not substitute for – native workers in London, at least since 2012. This picture is less clear in earlier years; although there has been growth in the stock of UK-born workers in London in each of the period's highlighted. As set out later in this document, there has been a notable increase in the employment rate for both UK-born and non-UK born workers in London in recent years.

Table 6 shows the change in the number and share of jobs filled by EEA-workers in London by highest qualification held. It shows that the increase in jobs held by EEA-born workers has been heavily biased towards workers with higher-level qualifications. Overall, the percentage of London jobs held by EEA-born workers with higher or ordinary degree level qualifications more than doubled in London from 2004 to 2016. There has also been a significant decline in the share of jobs held by EEA workers with other qualifications

(-23.3 percentage points) and no qualifications (-8.0 percentage points). The shift away from other qualifications is partly down to improvements in data collection, so these comparisons should be treated with caution.[49]

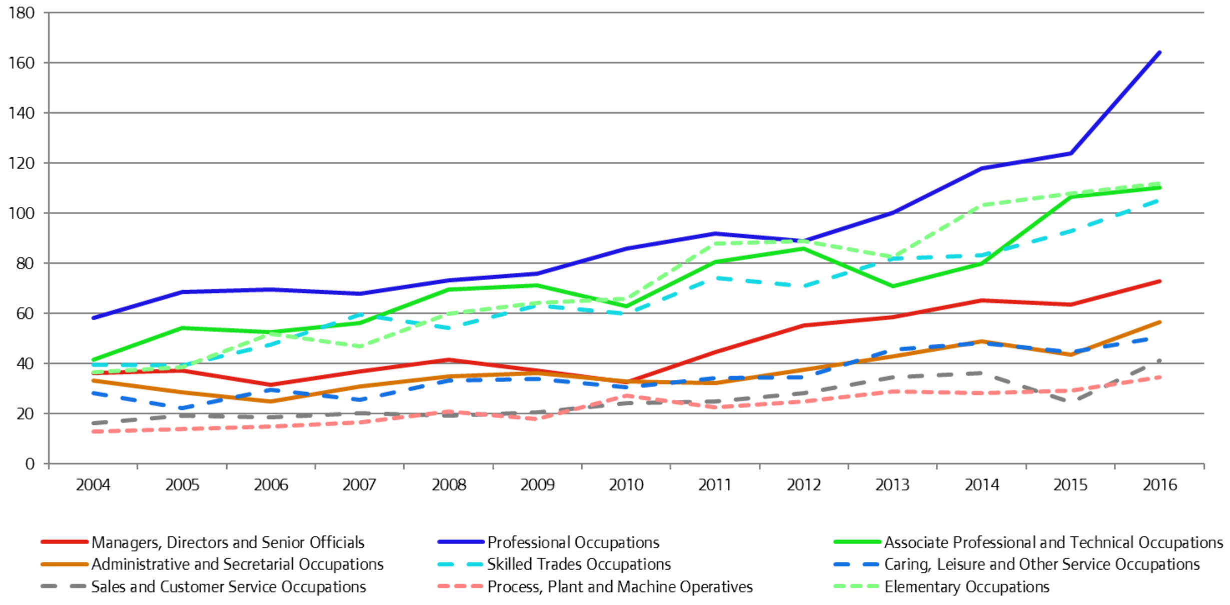
**Table 6: Number and percentage of jobs held by EEA-born residents in London by highest qualification, 2004-2016**
figures displayed in thousands

| Highest qualification | 2004 | | 2016 | | Change | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | Percentage Points |
| Higher degree | 35 | 12% | 195 | 26% | 160 | 14.5 |
| Ordinary degree or equivalent | 36 | 12% | 196 | 26% | 160 | 14.5 |
| Higher education | 17 | 6% | 74 | 10% | 57 | 4.3 |
| GCE, A-level or equivalent | 36 | 12% | 84 | 11% | 48 | -0.7 |
| GCSE grades A*-C or equivalent | 14 | 5% | 27 | 4% | 13 | -1.0 |
| Other qualifications | 128 | 42% | 142 | 19% | 14 | -23.3 |
| No qualification | 34 | 11% | 25 | 3% | -10 | -8.0 |
| **Total** | **304** | **100%** | **748** | **100%** | **445** | -- |

Source: Office for National Statistics, Annual Population Survey

Figure 13 shows the change in jobs filled by EEA-born workers by major occupational group. In-line with the shift towards higher level qualifications, three occupational categories traditionally regarded as 'higher-skilled' (Managers, Directors and Senior Officials; Professional; and Associate Professional and Technical Occupations) have accounted for almost half (47 per cent) of the increase in jobs held by EEA-born workers in London since 2004. This rises to 51 per cent of jobs growth since 2012.

**Figure 13: Change in the number of jobs held by EEA-born workers by major occupational group, London, 2004-2016**
figures displayed in thousands




Source: Office for National Statistics, Annual Population Survey

As Table 7 shows, though, there has been an increase in the number of jobs for EEA migrants across occupational groups compared to 2004, including lower-skilled occupations. In absolute terms the highest

[49] From 2011 onwards, more information on foreign qualifications was collected by the Office for National Statistics. This led to a reduction in the number of qualifications being classified as "other" and more being assigned to the appropriate level in terms of UK qualifications. Consequently, the estimates from 2011 onwards are not directly comparable with those for previous years and comparisons should be treated with caution.

growth has been in jobs in Professional (+106,000), Elementary (+76,000), Associate Professional and Technical (+69,000) and Skilled Trades (+66,000) Occupations. The share of total jobs filled by EEA workers increased most in Skilled Trades (+17.1 percentage points) and Elementary (+14.9 percentage points) Occupations.

**Table 7: Percentage of jobs held by EEA-born residents by major occupational group, London, 2004-2016**
figures displayed in thousands

| Major occupational category | 2004 | | 2016 | | Change | |
|---|---|---|---|---|---|---|
| | Number | % | Number | % | Number | Percentage Points |
| Managers, Directors and Senior Officials | 36 | 12% | 73 | 10% | 36 | -2.3 |
| Professional Occupations | 58 | 19% | 164 | 22% | 106 | 2.7 |
| Associate Professional and Technical | 42 | 14% | 110 | 15% | 69 | 1.0 |
| Administrative and Secretarial | 33 | 11% | 57 | 8% | 23 | -3.4 |
| Skilled Trades | 40 | 13% | 105 | 14% | 66 | 1.0 |
| Caring, Leisure and Other Service | 28 | 9% | 51 | 7% | 22 | -2.6 |
| Sales and Customer Service | 16 | 5% | 41 | 6% | 25 | 0.2 |
| Process, Plant and Machine Ops | 13 | 4% | 35 | 5% | 22 | 0.4 |
| Elementary Occupations | 36 | 12% | 112 | 15% | 76 | 2.9 |
| **All occupations** | **304** | **100%** | **748** | **100%** | **445** | **--** |

Source: Office for National Statistics, Annual Population Survey

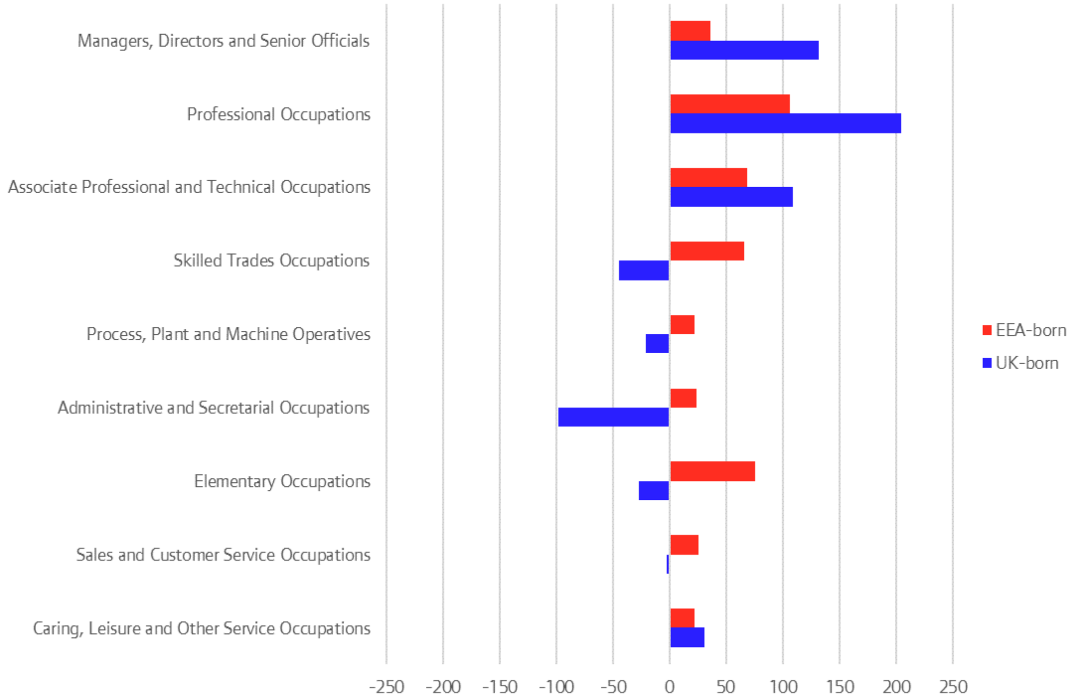
Overall, then, the increase in jobs filled by EEA-born workers has been accompanied by a move towards both higher skilled and Elementary roles, with a decline in the share of jobs in some (but not all) more routine occupations. In turn, the share of EEA-born graduates working in non-graduate roles in London has fallen slightly in recent years (Figure 14). The downward trend since 2013 suggests that over-qualification among EEA migrants has declined in London recently; though it appears to have risen in the rest of the UK.

**Figure 14: Percentage of EEA-born graduates working in non-graduate roles, 2011 to 2016, London vs UK**


Source: Office for National Statistics, Annual Population Survey

There is also some association between the increase in the number of EEA workers in London since 2004 and a movement towards higher-skill, better paying jobs for UK workers. As Figure 15 shows, jobs growth for UK-born workers between 2004 and 2016 has mainly focused on the three highest-paying occupational categories (Managers, Directors and Senior Officials; Professional; and Associate Professional and Technical Occupations); while there has been a reduction in UK workers in most other roles.

**Figure 15: Change in the number of jobs held by EEA-born residents and UK-born residents by major occupational group, London, 2004-2016**
figures displayed in thousands




Source: Office for National Statistics, Annual Population Survey

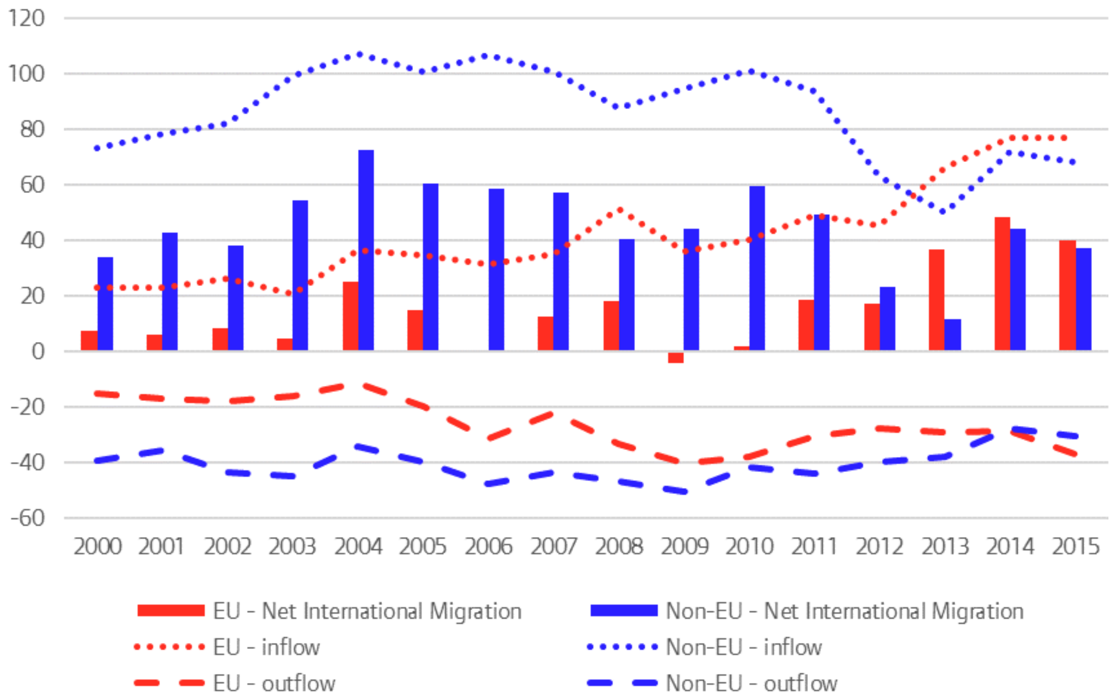
**Trends in flows of EEA-born workers**
In addition to significant stocks of EEA-born workers in London, data from the ONS International Passengers Survey (IPS) shows there are large flows of long-term migrants arriving and leaving London each year, both from the rest of the European Union (EU) and elsewhere. However, there are concerns about the survey which should be borne in mind when analysing migration flows.[50] It is also worth noting that, for consistency with IPS data, we have provided data on the basis of EU and non-EU nationals in this section.

Between 2000 and 2015, total long-term net migration of non-British citizens fluctuated between +40,000 and +98,000 a year, with an average net inflow of 61,000 people. During this time, the capital accounted for a quarter of the net inflow of non-British citizens to the UK on average, including around 27 per cent of the net inflow of EU citizens.[51] This is despite only accounting for 13.9 per cent of the UK population and 22.7 per cent of economic output.[52]

The most recent IPS data for London covers the year 2015. It shows that the capital was the intended destination for an estimated 145,000 non-British citizens, with 68,000 outgoing migrants leaving London in the same period. As Figure 16 illustrates, over half are citizens of EU countries (53 per cent of immigrants and 54 per cent of emigrants).

[50] The International Passengers Survey is a multi-purpose survey used, alongside other sources, to estimate the numbers and characteristics of international migrants into and out of the UK. It is the "the best available source to measure migration" in the UK. However, several issues have emerged in relation to the use of the survey for this purpose. For example, the IPS only counts migrants intending to stay for at least a year (and undercounts temporary migration); it samples a relatively small number of international migrants; is subject to practical constraints; and has difficulty measuring emigration accurately. Given these issues, figures should be treated with some caution. For more information, see: UK Statistics Authority (2013) The Robustness of the International Passenger Survey. Monitoring Review 4/13, June 2013.
[51] Excluding citizens of British or British Overseas Territories.
[52] There has, however, been a fall in the share of migrants going to London in the last two decades. Focusing on trends in EU migration since 2000, around 38 per cent of net migration from the EU was to London in 2001-2005, but only 27 per cent on average from 2011-2015. This may reflect the development of migrant networks in other parts of the UK, which is a strong driving force in the migration process.

**Figure 16: Long-term international migration flows, London, EU vs Non-EU**
Thousands: + refers to inflows; - refers to outflows




Source: Office for National Statistics, Long-Term International Migration, estimates from International Passengers Survey

Indeed, the volume of (net) long-term EU migration to London has become more significant in recent years, surpassing net migration of non-EU citizens since 2013. To illustrate the point: in the years 2001-2005, the net migration of EU-citizens to London averaged +12,000 per year; from 2011-2015 this had almost tripled to +32,000 per year. These changes are linked to both policy changes and the economic cycle:

- There was an increase in both immigration and emigration from/to EU countries after 2004 – coinciding with the ascension of EU8 countries[53] – and again around 2013/14 – coinciding with the lifting of restrictions on citizens from EU2 countries[54].
- Immigration of EU citizens to London peaked in 2014 and remained elevated in 2015. While provisional data for 2016 and 2017 indicates a decline in net migration of EU citizens at a national level, data is not yet available to verify this at the London level.
- Emigration of EU-citizens peaked after the 2008/09 financial crisis and has been relatively stable since, but began increasing again in 2015 – possibly linked to the increase in immigration in 2014. Again, while national data indicates a more pronounced increase in EU emigration in 2016 and 2017, this is not yet available at London level.

Looking at recent EU migration in more detail, the increase in net migration since 2010 has mainly come from a rise in immigration to London from EU15 countries[55], with net migration of EU15 citizens to London rising to +23,200 in 2015 – the highest level on record. (Note: some caution is needed in interpreting the components of net migration for the 2001-2011 period due to revisions in the long-term migration estimates following the results of the 2011 Census[56]). This is likely to be linked to the rise in qualifications

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[53] Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

[54] Bulgaria and Romania

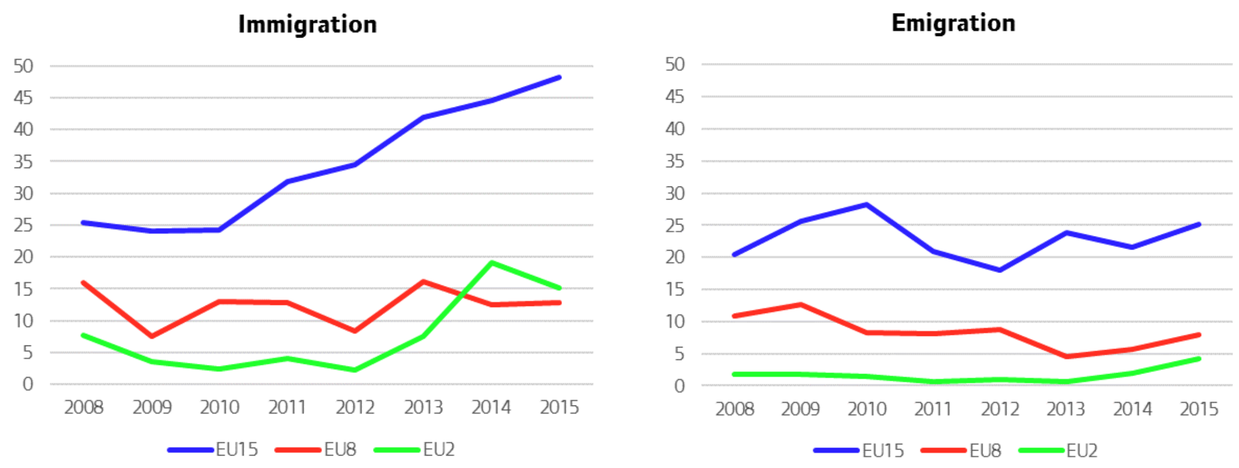
[55] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden

[56] In April 2014, the ONS published a revised set of net migration estimates for the United Kingdom for the period 2001-2011. But the ONS was unable to revise estimates of immigration and emigration as components of net migration during the same period. This means the revised estimates of net migration for the period 2001-2011 are not consistent with the available estimates of immigration and emigration in the same period.

noted among workers born in the EEA in recent years, since immigrants from the EU15 tend to be highly educated.[57]

There was also a notable increase in immigration of citizens from EU2 countries between 2012 and 2014 – linked to the lifting of restrictions. By comparison, immigration from EU8 countries has been relatively steady during this period, although emigration had tended to fall until 2013. In total, EU15 citizens made up 58 per cent of net migration from EU countries to London in 2015, compared to 12 per cent for EU8 citizens and 28 per cent for EU2 citizens.[58]

**Figure 17: EU immigration to and emigration from London by citizenship group**
figures displayed in thousands




Source: Office for National Statistics, International Passenger Survey

**Reasons for long-term migration to the UK**

People are drawn to the capital for a variety of reasons, but just under half (47 per cent) of long-term migrants to the UK moved for work-related reasons in the year ending (YE) March 2017.[59] As the chart below illustrates, this rises to 69 per cent for EU immigrants, but less than a third of non-EU citizens (32 per cent). The vast majority of EU nationals who come to the UK for work arrived with a definite job offer; around 30 per cent of those coming to the UK for work-related reasons come looking for work.[60]

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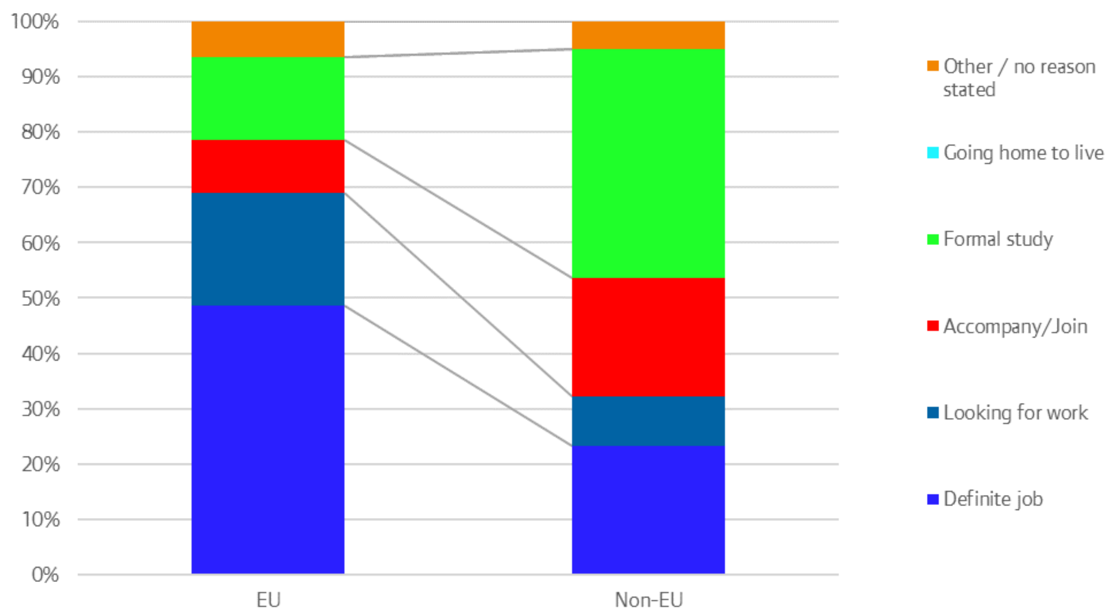
[57] Centre for Economic Performance (2015) Immigration, the European Union and the UK Labour Market
[58] Data may not sum due to rounding.
[59] ONS (2017) Migration Statistics Quarterly Report: August 2017
[60] ONS (2017) Migration Statistics Quarterly Report: August 2017

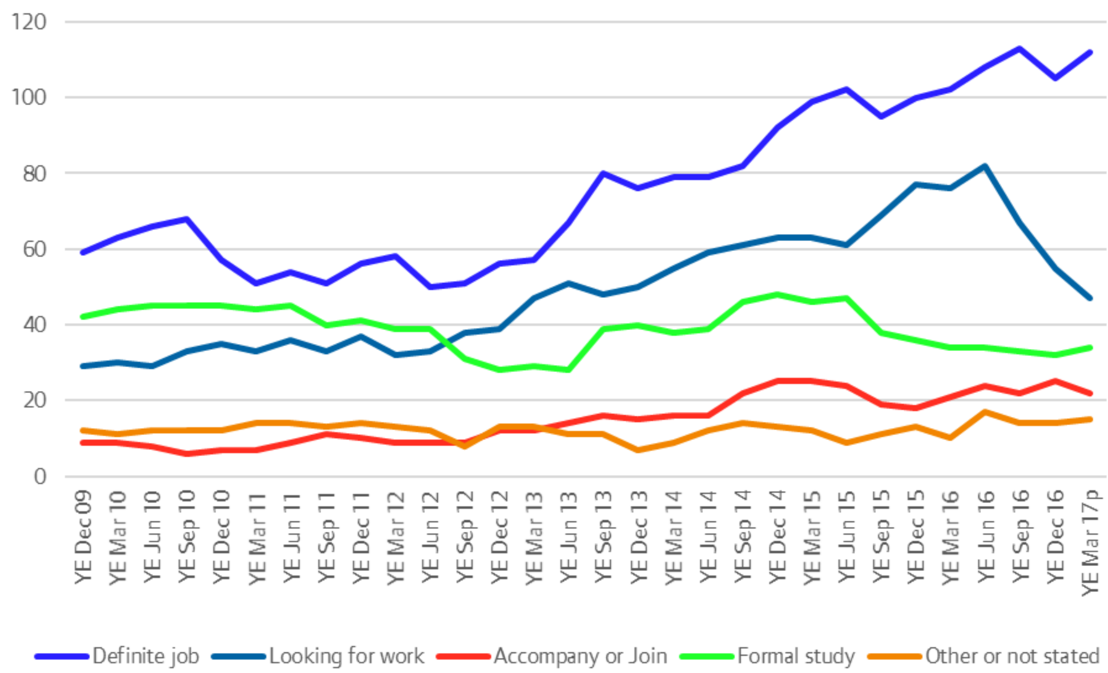
**Figure 18: Reason for long-term migration to the UK, YE Dec 2017**




Source: Office for National Statistics, International Passenger Survey

The recent increase in inflows of long-term migrants from the EU to the UK has almost entirely come from an increase in EU citizens moving to the UK for work-related reasons. As Figure 19 shows, there has been a strong increase in EU migrants moving to the UK with a definite job offer since 2012, although there are now signs of a drop-off in the numbers of EU immigrants moving to the UK looking for work.

**Figure 19: Reason for long-term migration to the UK, YE Dec 2009 - YE Dec 2017**
figures displayed in thousands




Source: Office for National Statistics, International Passenger Survey

This data on the reported intentions of annual flows of migrants into the UK fails to take account of the length of stay beyond 12 months, and the propensity to settle, which ultimately shapes the changes in London's population over time. However, consistent with the findings above, the last few years have seen buoyant employment figures in London. Overall, migrants from the EEA who are resident in London also had a higher employment rate in 2015 than the UK-born population – 80.3 per cent compared to 74.4 per cent – but the employment among UK-born nationals has also increased in recent years.

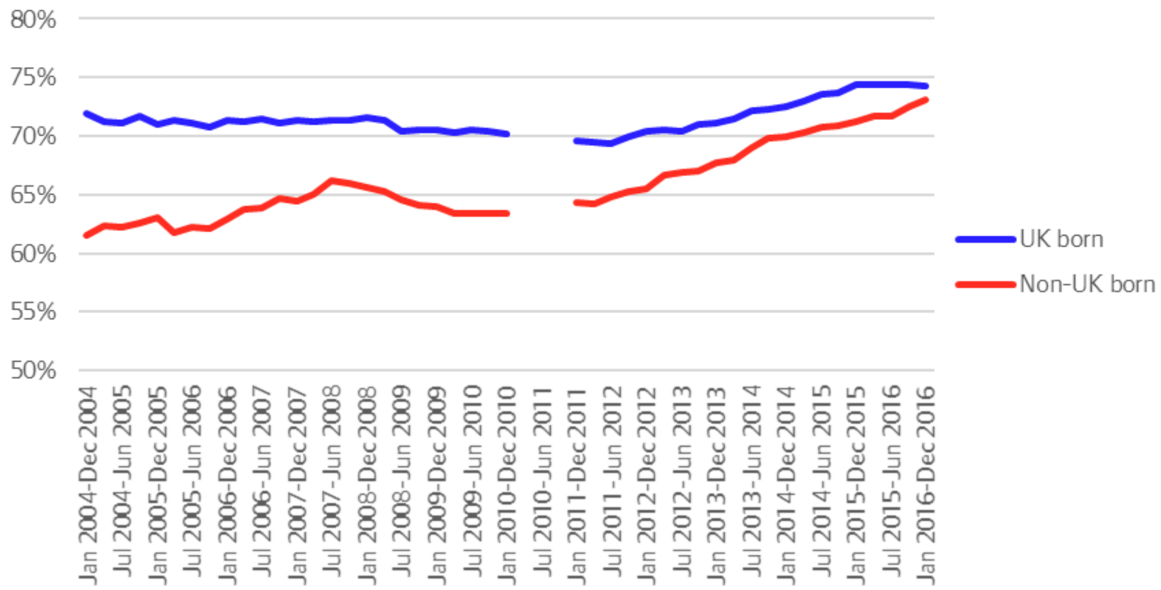
**Table 8: Employment and unemployment rates by country/area of birth for London and UK residents in 2015, 16-64yrs**

| Country/area of birth | London | | UK | |
|---|---|---|---|---|
| | Employment rate | Unemployment rate | Employment rate | Unemployment rate |
| UK or British Overseas Territory | 74.4% | 6.4% | 74.0% | 5.2% |
| Rest of the EEA (excluding the UK) | 80.3% | 4.3% | 79.2% | 4.9% |
| All other countries (excluding the UK and EEA) | 67.4% | 6.6% | 66.3% | 7.2% |

Source: Office for National Statistics, Annual Population Survey

A common argument against migration is that migrants could reduce the employment chances of UK natives. However, there is a clear consensus in the literature that this is not the case.[61] As Figure 20 shows, employment rates for both UK-born and non-UK born London were higher in 2016 than in 2004, with particularly strong growth in the last five years or so.

**Figure 20: Employment rate by country/area of birth, London, 2004-2016 (% aged 16-64)**




Source: Office for National Statistics, Annual Population Survey. Data is missing between Apr 2010-Mar 2011 and Oct 2010-Sep 2011.

### Have you conducted any analysis on the future trends of EEA migration, in particular in the absence of immigration controls?

Given time lags on regional level data, there is limited information available to understand future migration trends. GLA Economics will be looking further at the outcomes of different 'Brexit' scenarios in the coming months, which are likely to include the impact on EEA migration. We are happy to share the results of any further research with the Migration Advisory Committee when this becomes available.

### Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce? What impact would a reduction in EEA migration have on your sector/local area/region? How will your

[61] Home Office and Department for Business, Innovation & Skills (2014). Impacts of migration on UK native employment: an analytical review of the evidence.

**business/sector/area/region cope? Would the impacts be different if reductions in migration took place amongst non-EEA migrants? Have you made any contingency plans?**

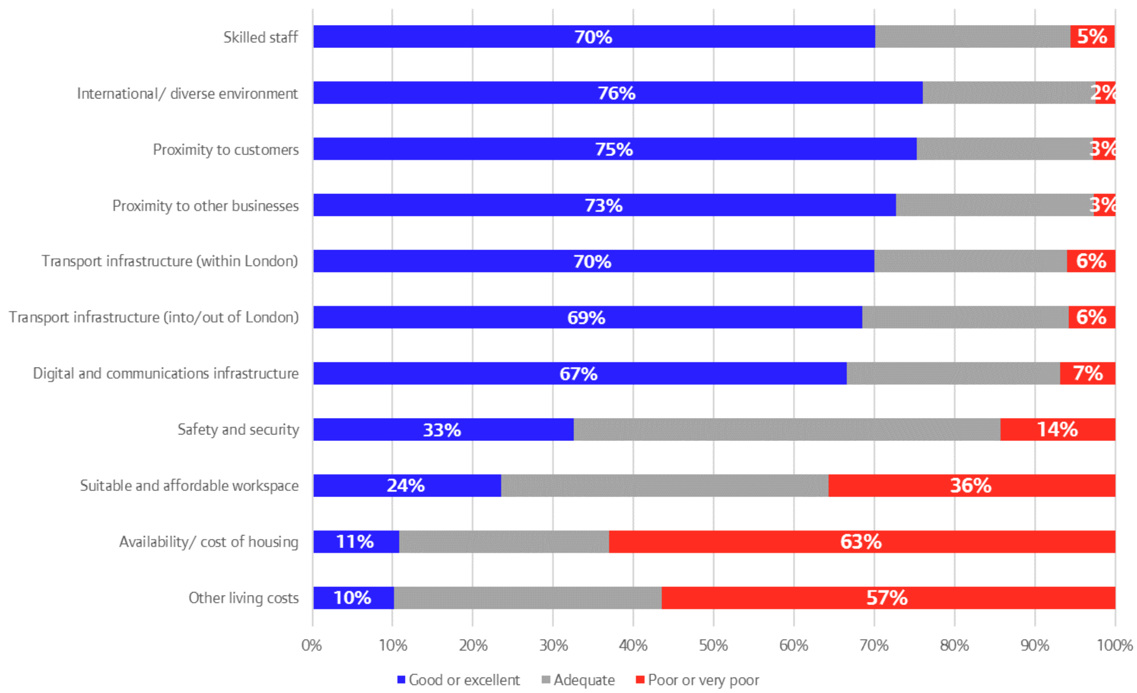
London is a hub for global business services: generating significant levels of employment and service exports, together with considerable fiscal surpluses for the UK as a whole.[62] As mentioned already (and discussed further below), access to a diverse and highly-skilled labour force is an important factor for London's competitiveness. The GLA has for several years expressed concern that tighter controls on immigration threaten the efficient workings of London's labour market.[63] With EEA-born workers accounting for far more jobs in London than in the rest of the UK, the implications of Brexit for free movement of labour heighten these fears.

However, a reduction in the availability of EEA migrants is likely to affect some sectors of the London economy more than others. This could include industries where EEA-born workers account for a higher share of jobs or those with high staff turnover or fluctuating patterns of demand. A lot will depend on the nature of any future agreement with the EU and the future UK migration regime. To better understand the potential impact of a reduction in the availability of EEA, this section also looks at evidence of skill issues in the London economy and the economic contribution of workers in different sectors, before exploring possible responses to a reduction in the supply of migrant labour and their limitations.

### Access to a diverse and highly-skilled labour force

The London Business Survey 2014 asked about factors which affect perceptions of London as a place to do business. As Figure 21 shows, 76 per cent of businesses in London rated the capital highly in terms of its international/diverse environment and 70 per cent in terms of the availability of skilled staff.[64] The latter was the fourth highest rated domain, behind the city's diversity and its proximity to customers and other businesses, and ahead of transport and communications infrastructure, suggesting skills are an important part of London's attractiveness as a place to do business.

**Figure 21: Businesses' views on London as a place to do business, 2014**




Source: GLA London Business Survey, 2014. Note: 'businesses' are business units; 'no response' excluded.

[62] GLA Economics (2016) Economic Evidence Base 2016 (see chapter 1)
[63] GLA Economics (2016) Economic Evidence Base 2016
[64] GLA Economics (2014) London Business Survey 2014: Main findings

Looking in more detail at access to skilled staff, business' perceptions vary by industrial category. For example, an above average share of businesses in the Construction (39 per cent), Accommodation, food, travel and tourism (42 per cent), and Manufacturing (55 per cent) sectors rated London as either adequate or poor in terms of the availability of skills – all sectors with a high number of jobs filled by EEA-born workers. There was also variation in perceptions by size of company, with larger firms more positive than smaller ones.[65]

The importance of skills and openness to London's competitiveness is echoed in the PwC Cities of Opportunity index, which assesses the competitiveness of cities across ten broad indicators.[66] The seventh version of this report, based on data predominantly from 2014 and 2015, again ranks London as the leading global city. Table 9 gives an indication of London's relative strengths - in particular, intellectual capital and innovation, city gateway, and economic clout. The capital's attractiveness as a location for business and people is explored further in Chapter 5 of the GLA Economic Evidence Base for London 2016.[67]

**Table 9: London's position across broad indicators within PwC Cities of Opportunity index**

| Indicator Set | London's Ranking | Highest Rated city | Second rated city | Third rated city |
|---|---|---|---|---|
| Intellectual capital and innovation | 1st | London | San Francisco | Paris |
| Technology readiness | 2nd | Singapore | London | Amsterdam, New York |
| City gateway | 1st | London | Paris | Beijing |
| Transportation and infrastructure | =8th | Singapore | Dubai | Stockholm |
| Health, safety and security | 8th | Tokyo | Toronto | Sydney |
| Sustainability and the natural environment | 13th | Stockholm, Sydney | -- | Seoul, Toronto |
| Demographics and livability | 3rd | Paris, New York | -- | London |
| Economic clout | 1st | London | New York | Beijing |
| Ease of doing business | 3rd | Singapore | Hong Kong | London |
| Cost | 26th | Johannesburg | Toronto | Los Angeles |

Source: PWC Cities of Opportunity

## Skills shortages and gaps

Despite generally positive perceptions of London's labour market, there is evidence of persistent skills shortages faced by London employers, although on several measures there have been improvements compared to previous years (consistent with EEA-migrant labour being used to tackle skills shortages). According to the UKCES Employer Skills Survey:

- 15 per cent of vacancies in London were hard-to-fill due to skill shortages in 2015, only slightly below the 16 per cent in England as a whole.[68] Figures for both London and England were lower than in previous surveys. In 2013, for example, 22 per cent of vacancies in London were considered hard to fill due to a skills shortage. Looking back even further, skills shortages were cited for 36 per cent of hard to fill vacancies in the National Employer Skills Survey in 2007.[69]
- 14 per cent of London employers reported having skills gaps in their workforce in 2015[70], the same proportion as in England, but slightly below previous surveys in 2013 and 2011, when 16 per cent and 15 per cent of employers reported a skills gap. Going back further, an even higher share of

[65] 32 per cent of SMEs (0 to 249 employees) rated London as either adequate or poor in terms of the availability of skills compared to 11 per cent of large firms. Source: GLA Economics (2014) London Business Survey 2014
[66] PwC (2016) Cities of Opportunity 7
[67] GLA Economics (2016) Economic Evidence Base 2016 (chapter 5)
[68] UKCES (2016) Employer Skills Survey 2015
[69] GLA Economics (2008) The London Story: Update 2008
[70] UKCES (2016) Employer Skills Survey 2015

employers in London (17 per cent) reported 'skills gaps' in 2007 – higher than in the rest of the country.[71]

By occupation, 44 per cent of London employers who reported having at least one hard to fill vacancy in 2015 were in Manager, Professional and Associate Professional roles and a further 19 per cent were in Skilled Trades roles (Table 10). In contrast, only 8 per cent of London employers reported hard to fill Sales and Customer Service and Elementary vacancies respectively – both below average for the UK as a whole. Overall, this suggests that London employers have found it relatively easy to fill lower-skilled jobs (in comparison with other regions), but relatively difficult to fill high-skilled roles.

**Table 10: Incidence of hard-to-fill vacancies by occupation and UK region, 2015, employer base**

| Region | Managers | Professionals | Associate Professionals | Admin/ Clerical staff | Skilled Trades | Caring, Leisure & Other | Sales & Customer Service staff | Machine Operatives | Elementary | Unclassified |
|---|---|---|---|---|---|---|---|---|---|---|
| East Midlands | 3.6% | 16.1% | 11.5% | 9.4% | 26.3% | 13.9% | 7.5% | 9.6% | 13.4% | 0.8% |
| East of England | 3.1% | 13.9% | 13.2% | 6.0% | 21.7% | 14.5% | 11.7% | 7.9% | 16.9% | 0.0% |
| London | 3.3% | 17.5% | 23.3% | 8.3% | 19.2% | 16.0% | 8.3% | 4.1% | 8.0% | 0.2% |
| North East | 5.4% | 18.0% | 11.9% | 5.5% | 23.1% | 12.5% | 8.1% | 12.1% | 14.0% | 2.0% |
| North West | 3.4% | 13.3% | 14.1% | 8.1% | 20.5% | 15.6% | 11.3% | 7.6% | 19.4% | 0.0% |
| South East | 3.9% | 16.3% | 16.6% | 8.9% | 23.0% | 16.7% | 8.3% | 6.1% | 12.7% | 1.2% |
| South West | 3.3% | 10.7% | 9.7% | 5.3% | 27.1% | 14.5% | 10.6% | 7.2% | 20.1% | 0.0% |
| West Midlands | 4.1% | 15.9% | 13.0% | 3.2% | 27.5% | 12.7% | 10.1% | 7.7% | 13.3% | 2.2% |
| Yorkshire & The Humber | 3.2% | 16.7% | 16.6% | 10.0% | 21.3% | 11.7% | 8.2% | 8.7% | 15.0% | 0.0% |
| **All employers** | **3.6%** | **15.4%** | **15.5%** | **7.4%** | **23.0%** | **14.8%** | **9.3%** | **7.0%** | **14.1%** | **0.6%** |

Source: UKCES Employer Skills Survey. Note: may not sum as employers may report more than one vacancy and occupation

This could be a reflection of the strength and dynamism of London's economy.[72] Indeed, the most common types of skills shortages relate to specialist skills or knowledge needed to perform the role - 70 per cent of London-based employers reported this as an issue compared to an average of 66 per cent in England.[73] Another possible reason why London employers have found it less difficult to fill lower-skilled vacancies is due to the level of labour supply, including the availability of workers born in other EEA countries. As shown in Table 11, over two-thirds of London employers cited that the main cause of having a hard to fill vacancy was due to the quality of applicants (the highest of any region) compared with 28 per cent citing the quantity of applicants (the second-lowest of any region).

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[71] GLA Economics (2008) The London Story: Update 2008

[72] For example, Business services, which represents a prominent and growing sector in London, had some of the highest incidences of hard to fill high-skilled vacancies for the UK as a whole. Source: GLA Economics (2016) Economic Evidence Base for London 2016 (see chapter 9)

[73] UKCES (2016) Employer Skills Survey 2015

**Table 11: Percentage of employers citing the main cause of having hard to fill vacancies by UK region, 2015, employer base**

| Region | Quality of applicants | Quantity of applicants | Contextual factors |
|---|---|---|---|
| East Midlands | 63.9% | 34.5% | 45.9% |
| East of England | 59.8% | 27.3% | 33.9% |
| London | 67.8% | 28.2% | 32.9% |
| North East | 58.6% | 31.6% | 44.0% |
| North West | 54.7% | 32.7% | 27.4% |
| South East | 58.7% | 38.8% | 40.4% |
| South West | 47.8% | 29.2% | 38.8% |
| West Midlands | 65.3% | 40.3% | 37.9% |
| Yorkshire & The Humber | 62.2% | 34.2% | 37.3% |
| **All employers** | **60.2%** | **33.3%** | **37.0%** |

Source: UKCES Employer Skills Survey. Note: respondents were allowed to select more than one reason.

According to the Employment Skills Survey, the impact of skill shortages is significant for nearly all employers that have them.[74] This most commonly cited impact is an increase in the workload of other staff (84 per cent). A significant minority of employers also report affects which could directly impair their business and affect the wider economy. These include a loss of business to competitors (44 per cent) and increased operating costs (43 per cent).[75]

**Box 2: Migration and Construction**

Research by the CBI suggests 36 per cent of construction companies already report difficulties in recruiting sufficiently skilled workers.[76] Achieving the right skills to plug these gaps takes training and time. The short-term impacts on EU withdrawal may be significant and prolonged insofar as if EEA workers are lost, the industry may be unable to replace them for several years. A recent survey showed that wages for bricklayers in London have already hit £25 an hour due to the existing skills shortage; if Brexit causes this to rise higher, this could put significant wage cost-pressures on construction firms.[77] Across the UK, around a quarter of the construction employers surveyed for a recent CITB report had been impacted by Brexit, with the most common impact reported being rising costs (12 per cent).[78] This could be even more significant in London, given the much larger contribution of EEA workers.

More concerningly, the Confederation of British Industry (CBI) surveyed London businesses in 2016 and found that almost half of firms (46 per cent) say they lack people with the necessary higher-level skills.[79] When asked about their key concerns for business over the next 12 months, 'Uncertainty over the UK's role in the EU' came out overwhelmingly on top (75 per cent), but lack of appropriately skilled staff was the fourth most common issue (44 per cent). More recently, over half of respondents to a recent CBI/Pertemps Network Group Employment Trends Survey said that restricted access to highly skilled migrants and skills gaps in the workforce will be the most significant threats to the UK's competitiveness in five years' time.[80]

[74] In total, 95 per cent of the establishments in London that had hard-to-fill vacancies solely as a result of skill shortages reported that these were having an impact on the establishment. Source: UKCES (2016) Employer Skills Survey 2015
[75] UKCES (2016) Employer Skills Survey 2015
[76] CBI (2016) Construction and the EU
[77] Building.co.uk, June 2016, 'What a Brexit means for construction'
[78] CITB (2017) Migration and Construction: The view from employers, recruiters and non-UK workers Full Report – June 2017
[79] CBI/CBRE (2016) London Business Survey - the survey ran from 28 June to 17 July 2016.
[80] CBI (2016) CBI/Pertemps Network Group Employment Trends Survey 2016

**Box 3: Migration and Food & Hospitality**

As noted elsewhere in this paper, Accommodation and Food Services is one of the sectors in London with an above average proportion of jobs filled by EEA workers. For 2014 to 2016, a particularly significant share of hospitality and food-related roles in London were filled by workers born in the rest of the EEA. This includes:

- 41 per cent of Waiters and waitressing roles
- 30 per cent of Restaurant and catering establishment managers and proprietors
- 30 per cent Cleaning and housekeeping managers and supervisors
- 26 per cent of Chefs[81]

Research by KPMG for the British Hospitality Association suggests that in a scenario in which there is no new migration into the sector from 2019, EU nationals are not required to leave the UK, and current recruitment of UK and non-EU workers remains constant, there would be a recruitment shortfall of upwards of 60,000 workers per year from 2019.[82] This in a sector which is already facing recruitment problems and with limited scope for productivity gains due to its manual and labour intensive nature.

**Responses to a reduction in EEA workers**

The impact for different sectors will also depend on other factors, such as whether there are feasible alternatives to the existing supply of migrant labour. The amount of jobs in the economy is not fixed, and firms can respond to reduction in the supply of labour in different ways: they can target alternative sources of labour, increase investment in training and skills, or invest in labour-saving technology. But they can also move operations to a different market, or invest elsewhere (thereby reducing the demand for workers).

The last few years have seen strong employment figures for the London labour market. The employment rate reached 74.9 per cent in the three months to July 2017 – a record high since the series began, and only 0.4 percentage points below the rate for the UK as a whole. The unemployment rate also fell to 5.2 per cent in the most recent period.[83] These headline employment figures mask significant differences in labour market outcomes for different groups in London.[84] However, there is some scepticism among employers about the potential to meet labour demand though raising labour force participation.[85]

There are several reasons why this may be the case, often linked to skills mismatches. The London economy is expected to create more jobs for skilled rather than unskilled workers in the years ahead.[86] Yet adult skills are far lower in England for the unemployed compared to those in work[87] and almost half (43 per cent) of all out-of-work London residents aged 16-64 are only qualified at NVQ Level 2 or below.[88] Research by the Institute for Public Policy Research (IPPR) suggests that the ratio between the number of EU nationals in lower-skilled work and the number of residents who are unemployed or inactive (and who are either seeking work or who would like to work) is relatively high in London.[89] While the labour supply potentially available to employers (e.g. the unemployed or inactive) also has different expectations and is differently motivated

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[81] Annual Population Survey three-year dataset (2014-2016). Based on occupations (unit groups) where there is 95% probability of more than 14% of jobs being done by a worker born in an EEA country, by country and region of the UK, 2014 to 2016.

[82] KPMG (2017) Labour migration in the hospitality sector

[83] ONS (2017) Labour Force Survey

[84] Men have higher employment rates than women, but much larger are the gaps for people with different qualification levels, from different ethnic groups, and for people with disabilities.

[85] CIPD (2017) Facing the future: tackling post-Brexit labour and skills shortages

[86] GLA Economics (2016) London labour market projections 2016

[87] Department for Business Innovation & Skills (2013) The International Survey of Adult Skills 2012: Adult literacy, numeracy and problem-solving skills in England

[88] Not including 'other qualifications' – ONS (2017) Annual Population Survey

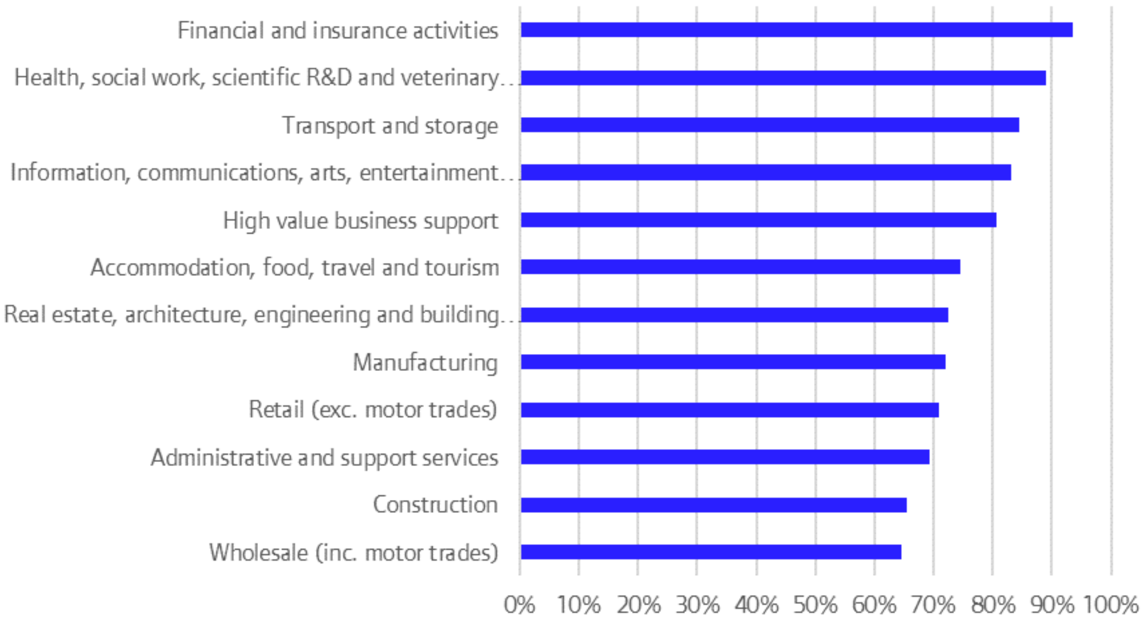
[89] Indicating that London could face a particular squeeze if there were restrictions on lower-skilled EU labour, because they would have a relatively small pool of people from which to replace them. IPPR (2017) Striking the right deal: UK–EU migration and the Brexit negotiations

to participate in the labour market when compared to EEA migrants.[90] For example, even where lower-skilled jobs are available, there is evidence that UK-born workers have higher reservation wages than immigrants.[91] Relatedly, UK workers also tend to be less attracted to jobs in some sectors due to working conditions, fluctuating levels of demand, or perceived job status.[92] This includes sectors where EEA-born workers account for a significant share of jobs in London, such as Construction and Accommodation and food.[93]

The GLA is currently developing a London Skills Strategy which will set out priorities and measures to improve education and skills provision for Londoners aged 16+, with a focus on technical skills and adult education. However, the wider institutional and regulatory framework also plays a role in influencing the demand for migrant workers compared to local labour[94] and the scope to substitute UK for EEA labour may be limited in the short run. Employers outside London could experience a knock-on effect of skills shortages if reduced access to non-UK labour means the capital draws in more workers from the rest of the UK.[95]

Employer investment in training is low in the UK compared to other countries, but upskilling the existing workforce through investment in education and training is likely to become more important if employers are faced with a reduction in the availability of EEA workers. The London Business Survey 2014 found that over three-quarters of London employees worked for businesses that had engaged in upskilling, training and development in the 12 months to mid-2014. However, as Figure 22 shows, there is considerable variation in the investment in skills by industry. In some sectors where EEA-workers account for a high share of jobs, such as Construction and Administrative and support services, employee training was below average.

**Figure 22: Employees working for businesses that did upskilling, training and development of employees in the last 12 months, by industry sector**




Source: GLA London Business Survey, 2014. Note: Lack of response to this question was interpreted as "not upskilling, training or developing"

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[90] M. Ruhs and B. Anderson (2011) Responding to Employers: Labour Shortages and Immigration Policy. The Migration Observatory
[91] According to analysis by the Resolution Foundation, the average hourly wage in the 15 UK industries with the highest concentration of migrants from EU Accession countries is £9.32, significantly below average UK-born wages of £11.07. Source: Resolution Foundation (2017) Work in Brexit Britain Report, July 2017
[92] EU Policy Department A: Economic and scientific policy (2015) Labour market shortages in the European Union
[93] Sector are seen to have their own challenges: construction in the physical nature of the work and environment; food processing in shift work and uncomfortable working conditions; and hospitality in shift work and pace of work. Source: National Institute of Economic and Social Research (2016) The impact of free movement on the labour market: case studies of hospitality, food processing and construction
[94] M. Ruhs and B. Anderson (2011) Responding to Employers: Labour Shortages and Immigration Policy. The Migration Observatory
[95] CITB (2017) Migration and Construction: The view from employers, recruiters and non-UK workers

Moreover, according to the Employer Skills Survey, only 34 per cent of London employers had a budget for training expenditure in 2015 and 36 per cent did not provide any training at all.[96] In a recent Chambers of Commerce Survey, only a small percentage of the businesses indicated that they would invest more in training (6 per cent) in response to restrictions on access to EU workers.[97] Most employers who do not provide training do so because they feel that staff are already fully proficient. But for employers that do provide training, lack of funds (50 per cent) and spare time for staff (48 per cent) are frequently reported as barriers to further investment.[98] There is evidence to suggest that rising employment costs are a growing issue for many firms[99], raising questions about the scope to increase private investment in human capital.

Talented migrants fill skills gaps in London's economy. London also needs mid-skilled and lower-skilled migrants to support sectors that are cyclical in nature – e.g. Construction - and sectors where employers struggle to recruit – such as Health and social care and Accommodation and food. Should the Government pursue a strategy of restricting migration from the EEA, it will be a challenge to train Londoners to fill roles previously filled by migrants, which will require supportive Government policy and initiatives.

In other cases, there may be opportunities for London employers to invest more in the adoption of labour-saving technologies to compensate for lower levels of immigration and rising labour costs:

- International evidence suggests that technology is more likely to replace immigrant labour than a large inflow of domestic workers.[100]
- 14 per cent of firms surveyed by the British Chambers of Commerce in 2017 said they would increase investment in automation in response to rising employment costs.[101]
- It has been estimated that 30 per cent of jobs in London could be automated in the next 10 to 20 years (although this is likely to overstate the potential for innovative technologies).[102,103]

Some industries have both high numbers of jobs filled by EEA workers in London and high probabilities of automation, such as food and drink services.[104] Overall, though, the potential to substitute labour for technology is likely to be lower in London than elsewhere in the UK.[105] This reflects the fact that the London economy already has a high number of jobs in cognitive, advisory and creative roles. Other service-based sectors with high numbers of EEA workers are also likely to remain labour-intensive in the future. For example, Education and Health and social care.

Even where opportunities for automation do exist there are doubts about the capacity of employers to take full advantage. UK capital investment is low by international standards[106], and provisional data for Q2 2017 suggests that the level of business investment has remained broadly unchanged for over two years.[107] Heightened uncertainty is thought to be playing a part in some firms' unwillingness to invest[108]; while

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96 UKCES (2016) Employer Skill Survey 2015

97 British Chambers of Commerce (2017) BCC Workforce Survey 2017: Impact of Costs

98 UKCES (2016) Employer Skill Survey 2015

99 75 per cent of businesses reported rising costs in 2017 due to pensions auto-enrolment, 50 per cent due to the National Living Wage, and 20 per cent due to the Apprenticeship Levy. Source: British Chambers of Commerce (2017) BCC Workforce Survey 2017: Impact of Costs

100 Select Committee on Economic Affairs (2017) Corrected oral evidence: Brexit and the Labour Market. Tuesday 28 February 2017 (link).

101 British Chambers of Commerce (2017) Workforce Survey 2017

102 Following a task-based approach, the OECD estimates that 10 per cent of UK jobs are at 'high risk' of automation, suggesting the approach used in previous studies may have overestimated the potential for new technologies. Source: Arntz, M., T. Gregory and U. Zierahn (2016), "The Risk of Automation for Jobs in OECD Countries: A Comparative Analysis", OECD Social, Employment and Migration Working Papers

103 Deloitte (2016) London Futures. Agiletown: the relentless march of technology and London's response

104 British Chambers of Commerce (2017) Workforce Survey 2017. The BCC surveyed 1,461 businesses from all regions of the UK online from 17 July to 1 August 2017. Of those surveyed, 94% were SMEs, 29% operate in the manufacturing sector, and 71% in the services sector.

105 Roughly half (51 per cent) of jobs are considered at low or no risk of automation in the coming decades, compared to 40 per cent for the UK. Source: Deloitte (2016) London Futures. Agiletown: the relentless march of technology and London's response

106 ONS (2017) An international comparison of gross fixed capital formation

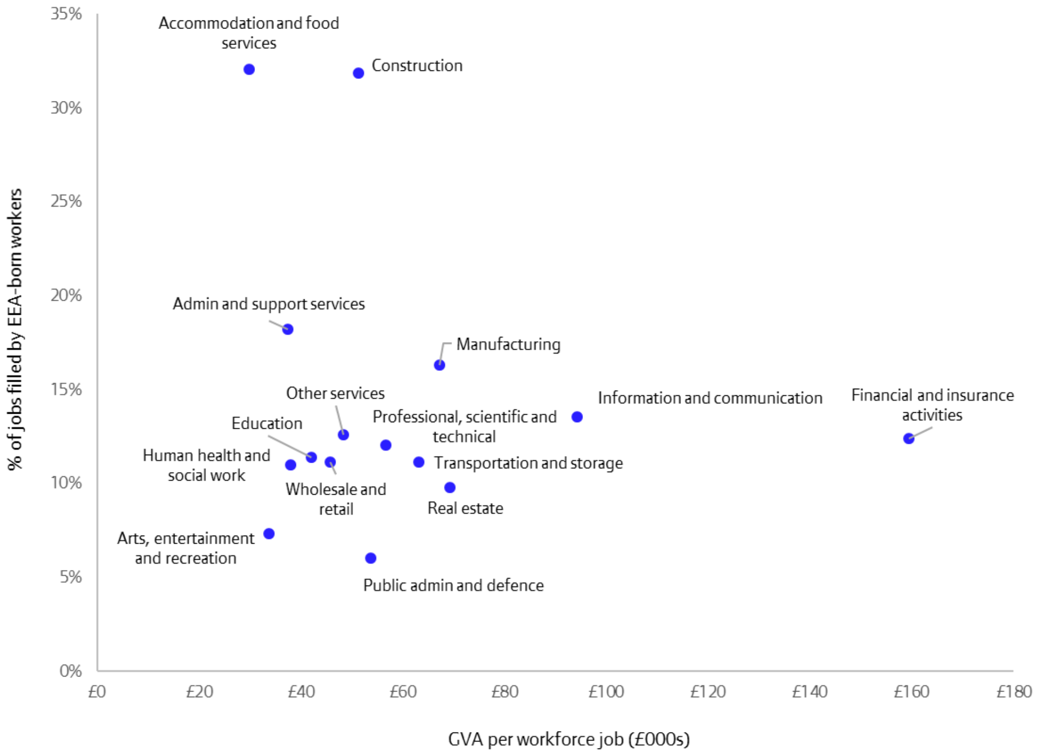
107 ONS (2017) Business investment in the UK: April to June 2017 provisional results

108 Bank of England (2017) Agents' summary of business conditions – Q2 2017

around a quarter of employers facing skills shortages in London report difficulties in introducing technological changes.[109]

Finally, the economic impact of a reduction in the availability of EEA workers is also likely to vary depending on the economic value added by workers in different sectors. Figure 23 compares GLA Economics estimates of GVA per workforce job (a proxy for productivity)[110] with the percentage of jobs filled by EEA-born workers across a range of sectors in London. It is worth noting that the job figures used to estimate productivity are based on the ONS Workforce Jobs series, meaning they are not directly comparable with the employment data (which uses the ONS Annual Population Survey).

**Figure 23: GVA per workforce job (2015) and percentage of jobs filled by EEA-born workers (2016), selected sectors, London**




Source: GLA Economics and ONS Annual Population Survey

It shows that sectors such as Financial and insurance and Information and communication are highly productive, as through trade and specialisation, London has been able to generate significant levels of economic output per workforce job in these activities.[111] However, at 12 per cent and 14 per cent, the proportion of jobs filled by EEA-born workers is far below that Construction and Accommodation and food service activities (both 32 per cent). Yet the economic output produced per workforce job in these sectors is far lower. Therefore, all else equal, the immediate economic impact of a reduction in the availability of migrant workers is likely to differ depending on the productivity of that sector in London.[112]

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109 UKCES (2016) Employer Skills Survey 2015

110 GVA per workforce job is often used as a proxy of the relative productivity. It measures the ratio of output (nominal GVA) divided by the labour input (number of jobs) used to create it. Note, while this is a widely-recognised measure of labour productivity, it does not fully account for differences in working patterns in different sectors (such as the mix of part-time and full-time workers, and job shares). Further details on the GLA Economics methodology are available in GLA Economics (2017) Productivity Trends: GVA per workforce job estimates for London and the UK, 1997 - 2015. The data is available on the GLA Datastore: https://data.london.gov.uk/dataset/gva-per-workforce-job

111 GLA (2016) Economic Evidence Base for London 2016 (see chapter 1)

112 Of course, there are further factors that will influence this. For example, labour productivity may not be the same for migrant and native workers; there may be indirect benefits of migrant employment in less productive sectors (e.g. to London's attractiveness as a business location); and the level of productivity in different sectors may be affected by a reduction in the availability of migrant workers.

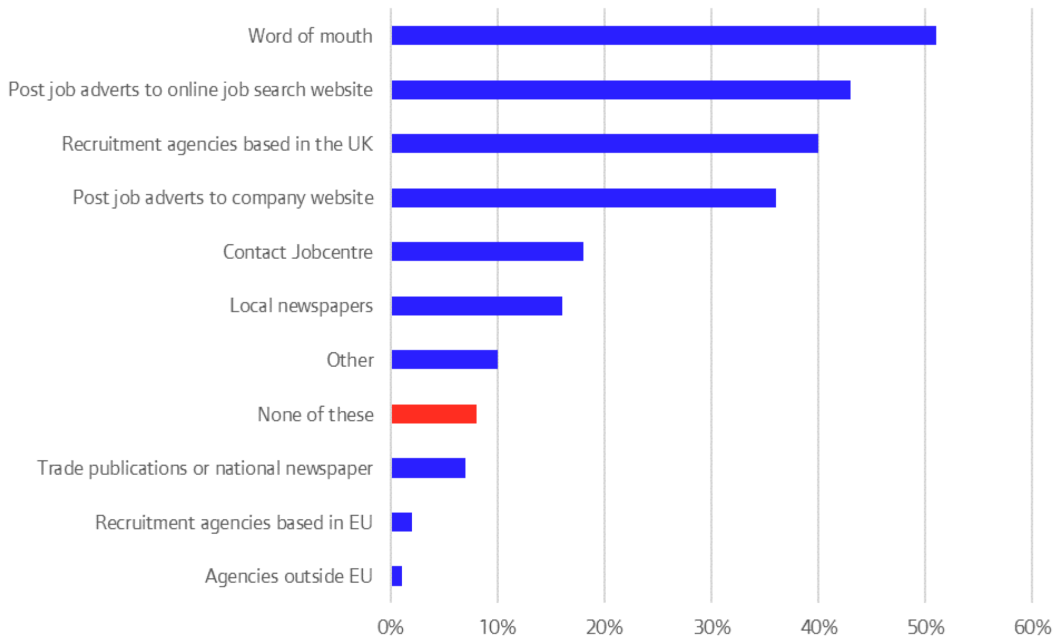
Analysis undertaken by PwC reaches similar conclusion looking at all migrant workers. It estimates that the average migrant worker in the capital contributes a net additional £46,000 in GVA per annum to London's economy.[113] Based on PwC's calculations, the sector with the highest total GVA impact from migrant labour in London is Financial and business services (£37bn of GVA), followed by Wholesale, retail, transport and communications (£20bn). The total contribution of London's migrant workforce in Accommodation and food services was estimated at just £5bn in 2016, despite the high number of migrant workers in that sector.

## Recruitment Practices, Training & Skills

**Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers? What impact does this have on UK workers? Have these methods changed following the Brexit referendum?**

The British Chambers of Commerce's annual workforce survey 2017 looked at how businesses try to recruit employees. It finds that informal word-of-mouth networks are the most common method used by British employers to recruit (51 per cent), followed by posting online job adverts (43 per cent) and recruitment agencies based in the UK (40 per cent).[114] Consistent with other surveys, it finds little evidence of employers proactively trying to recruit EEA migrants. Rather, employers generally report seeking to maximise the numbers of applications to recruit high-quality applicants, regardless of nationality/country of birth.[115]

**Figure 24: How businesses recruit employees**




Source: The British Chambers of Commerce (n=1,395)

In most cases these recruitment practices do not exclude EEA workers, while research by the Chartered Institute of Personnel and Development (CIPD) indicates that similar methods are used when recruiting EU migrants specifically.[116] Based on survey of employers of EU nationals, it found that the most common methods reported for hiring EU migrants were using the establishment's own website (48 per cent), recruitment agencies based in the UK (30 per cent)[117], and job referral schemes or word of mouth (28 per

[113] PwC (2017) Facing Facts: The impact of migrants on London, its workforce and its economy
[114] British Chambers of Commerce (2017) Workforce Survey 2017
[115] National Institute of Economic and Social Research (2016) The impact of free movement on the labour market: case studies of hospitality, food processing and construction
[116] CIPD (2017) Facing the future: tackling post-Brexit labour and skills shortages
[117] Since employment agencies often have significant numbers of migrant workers on their books, they can play an important role in impacting on the national composition of the workforce.

cent). As Table 12 shows, there are differences between sectors, with 24 per cent of the manufacturing/production organisations surveyed using recruitment agencies in EU nationals' own countries.

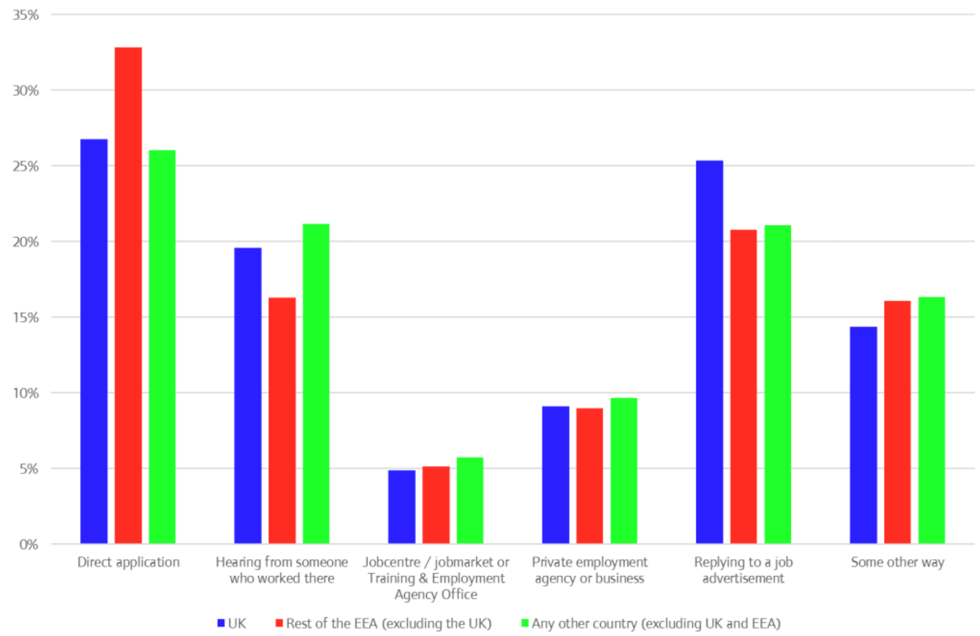
**Table 12: Methods of recruiting EU nationals, by industry (%)**

| Methods | Total (n=575) | Manufacturing & production (n=95) | Education (n=49) | Private sector services (n=293) | Public admin & defence (n=41) | Healthcare (n=44) |
|---|---|---|---|---|---|---|
| Own website | 48 | 42 | 65 | 49 | 55 | 39 |
| Recruitment agency based in the UK | 30 | 42 | 23 | 29 | 23 | 35 |
| Job referral scheme/word of mouth | 28 | 39 | 19 | 29 | 8 | 29 |
| Professional networking websites | 26 | 33 | 23 | 27 | 23 | 16 |
| Social networks | 18 | 12 | 17 | 20 | 17 | 20 |
| Recruitment agency/consultant based in home country | 16 | 24 | 22 | 12 | - | 31 |
| Jobcentre Plus | 15 | 13 | 5 | 18 | 13 | 14 |
| Specialist journals/trade press | 13 | 5 | 38 | 8 | 10 | 23 |
| Local newspapers (online/print) | 11 | 14 | 8 | 10 | 10 | 13 |
| Links with schools/colleges/universities | 10 | 13 | 21 | 8 | 7 | 11 |
| Apprenticeships | 10 | 21 | 4 | 10 | 12 | 2 |
| National newspapers (online/print) | 10 | 8 | 25 | 4 | 23 | 15 |
| Other | 6 | 4 | 11 | 5 | 7 | 8 |
| None of these – we do not use any recruitment methods | 8 | 3 | 3 | 10 | 7 | 2 |
| Don't know | 8 | 3 | 5 | 10 | 14 | 11 |

Source: CIPD/The Adecco Group Labour Market Outlook spring 2017 report, all employers of EU nationals

ONS Annual Population Survey data can also be used to look at recruitment patterns at a London level. Figure 25 sets out how employees and people on government schemes have obtained their jobs in the capital by country of birth.[118] In line with the CIPD survey, a wide range of methods are reported. The most frequently cited among employees born in the EEA are direct recruitment (33 per cent) and replying to a job advertisement (21 per cent). These have both become more common among EEA employees since 2011, although the data cannot tell us much about trends since the Brexit referendum without figures for 2017.

**Figure 25: How current job was obtained in London, by country of birth, 2016 (%)**



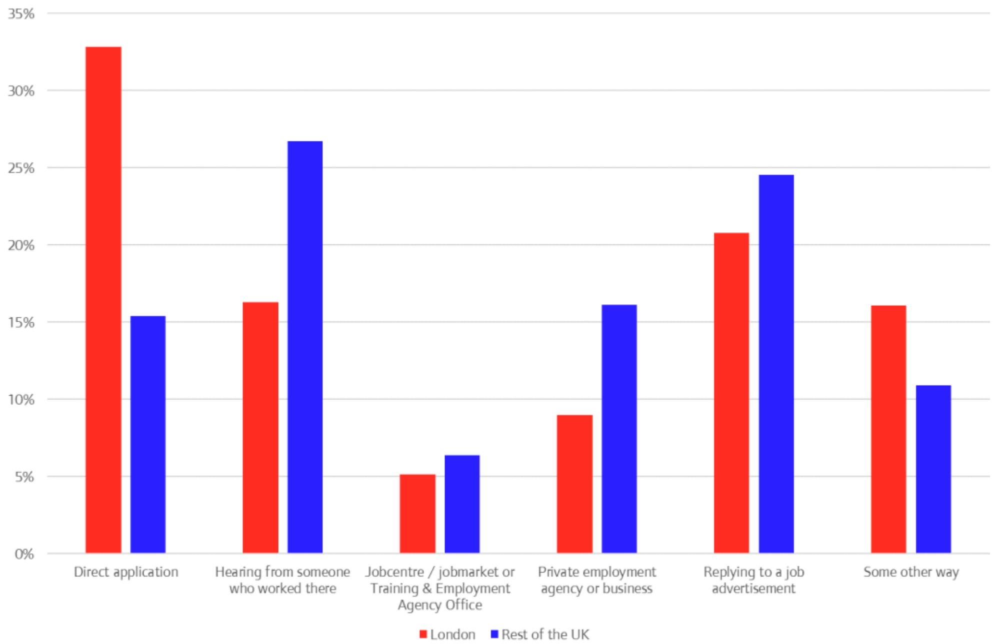

Source: Office for National Statistics, Annual Population Survey

[118] Note, this question only applies to employees and people on government schemes aged 16-64 who have been with their current employer for less than one year. It does not cover self-employed workers.

Overall, though, Figure 25 suggests that recruitment methods in London are relatively similar regardless of country of birth. Compared to employees born in the UK, a slightly higher share of EEA-born employees obtained their jobs through direct applications in 2016, and a lower share by replying to job advertisements or word-of-mouth However, it is advisable to treat these differences with caution given year-on-year fluctuations.

There are more significant differences in how EEA-born employees obtain their jobs when London is compared to other parts of the UK. As Figure 26 shows, only 15 per cent of EEA-born employees obtained their current job through direct applications in the rest of the UK in 2016, roughly half the proportion in London. At the same time, a far higher share of EEA employees in the rest of the UK obtained their jobs through hearing from someone who worked there (27 per cent) or a private employment agency or business (16 per cent). To some extent this is reflected in how UK-born workers obtain their jobs in the rest of the UK, but the share of jobs obtained through private employment agencies is even lower for UK-born employees outside of the capital.

**Figure 26: How current job was obtained, EEA-born only, London vs the rest of the UK, 2016 (%)**

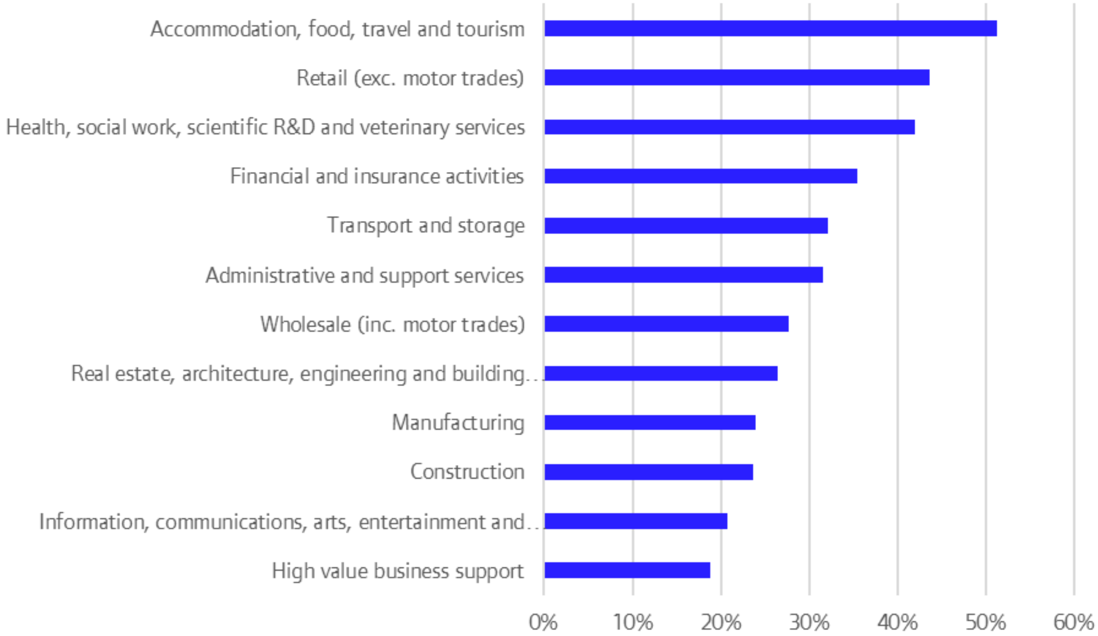



Source: Office for National Statistics, Annual Population Survey

Within London, patterns of recruitment also vary by industry sector, as shown in Figure 27. It is worth noting that some sectors with higher levels of recruitment – particularly Accommodation, food, travel and tourism sector – have seasonal employment patterns and employ relatively high numbers of EEA migrants.[119] The high levels of recruitment reported for these sectors may be partly explained by recruitment of staff for the 'peak' season or busy periods, and this can be difficult to meet through UK labour.[120]

[119] Migration Advisory Committee (2017) EEA-workers in the UK labour market: A briefing note to accompany the call for evidence
[120] National Institute of Economic and Social Research (2016) The impact of free movement on the labour market: case studies of hospitality, food processing and construction

**Figure 27: Businesses that recruited employees in the last 12 months, London, 2014 (%)**

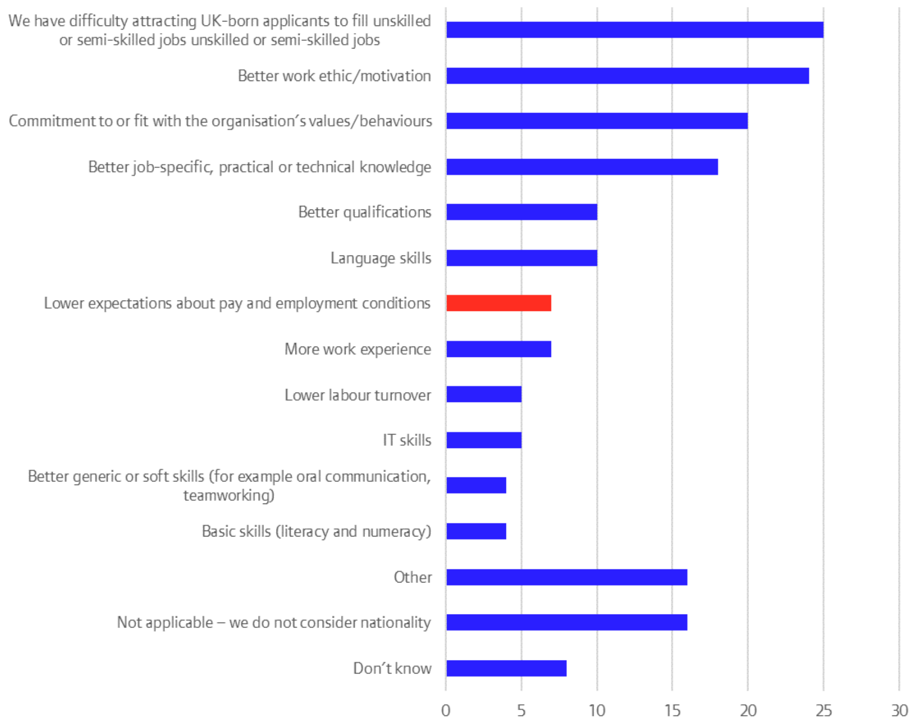



Source: GLA London Business Survey, 2014. Note: Lack of response to the recruitment question was interpreted as "not recruited".

## What are the advantages and disadvantages of employing EEA workers? Have these changed following the Brexit referendum result?

A recent Chartered Institute of Personnel and Development (CIPD) report explores in detail the reasons for employing EU migrant workers. Based on a survey of 574 UK employers, it found that the most cited reason for employing EU nationals was an inadequate supply of UK-born labour, especially for lower skilled roles. A quarter (25 per cent) of employers surveyed said that 'difficulty in attracting UK-born candidates to fill unskilled or semi-skilled jobs' was the reason for recruiting EU nationals, rising to one in three employers (35 per cent) in low-wage industries. Many employers also cited 'better work ethic/motivation' (24 per cent), which was again higher for low-wage industries (35 per cent).

**Figure 28: Reasons for employing EU nationals (%)**




Source: CIPD/The Adecco Group Labour Market Outlook spring 2017, all employers of EU nationals (n=574)

Employing migrant workers may be linked to the unattractiveness of some sectors to UK workers.[121] And, to some extent, the work ethic associated with EEA-workers may be difficult to replicate in UK workers in these roles.[122] For example, migrant workers may be more motivated to work in 'lower status' jobs because they see this work as temporary; they gain non-financial benefits such as learning English; or because wages are perceived as higher relative to home country earnings. Evidence also suggests that flexible contracts are more acceptable to newly arrived migrants.[123] This is likely to apply to sectors like Accommodation and food services and Construction, where EEA-born workers make a particularly significant contribution in London.[124]

Other factors cited by employers include 'better job-specific, practical or technical knowledge' (18 per cent) and 'better qualifications' (10 per cent). In some cases, employer demand for groups of migrant labour may reflect a demand for specified skills or knowledge related to particular countries, including foreign language skills. Only a small share of employers (7 per cent) say they recruit EU nationals because of lower expectations about pay and employment conditions, although this rises to 15 per cent for low-wage employers.

### To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?

As set out in the preceding sections, there has been a significant increase in jobs held by EEA-born workers in London since 2004. In the context of high immigration, there are concerns that the availability of migrant labour could reduce the incentives for employers to invest to develop high-level skills among UK workers. Therefore, this section will investigate trends in job-related training for workers by country/area of birth in London and the rest of the UK, and whether this is affected by the higher share of EEA-workers in the capital.

Figure 29 set out the percentage of workers in London and the rest of the UK who have received job-related training or education within the last 13 weeks of being surveyed. It shows that of all workers in London, 26 per cent had received job-related training or education within 13 weeks in 2016, compared to 24 per cent in the rest of the UK. In terms of trends, the incidence of job-related training in London fell between 2004 and 2008 (from 30 per cent to 26 per cent), increased again from 2008 to 2014 (to 29 per cent), before falling back to 26 per cent in 2016. In contrast, the rate of workers who have received job-related training has fallen steadily in the rest of the UK during this time and the percentage of workers who have received job-related training in London has been consistently higher than in the rest of the UK since 2009. There is also evidence of a lesser downward trend in the incidence of training and education among workers in the capital.

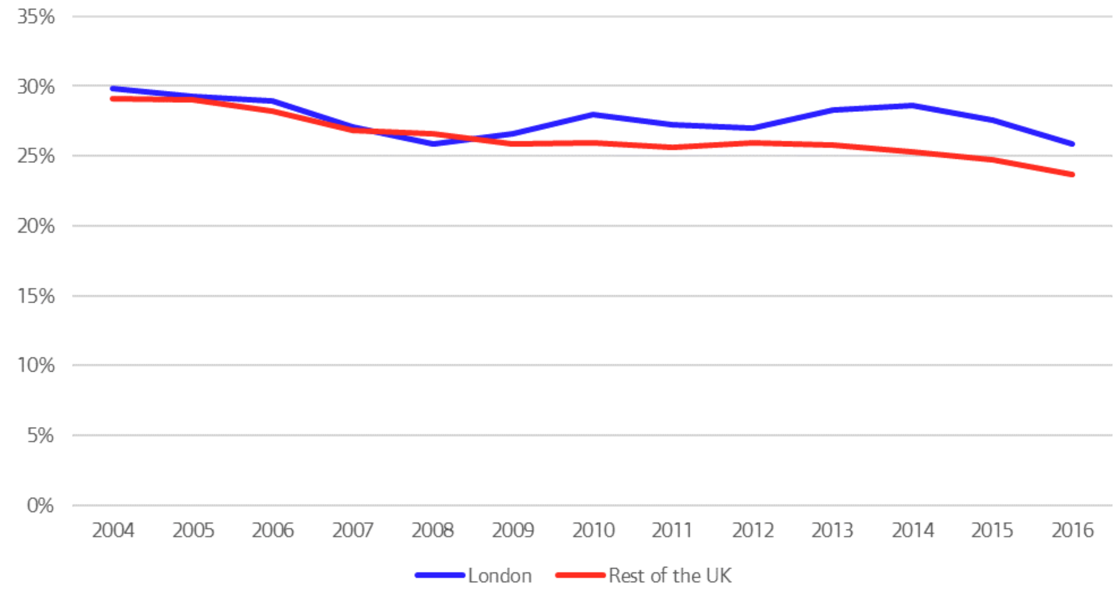
[121] CIPD (2017) Facing the future: tackling post-Brexit labour and skills shortages

[122] W. Somerville, and M. Sumption (Migration Policy Institute) (2009) Immigration and the labour market: Theory, evidence and policy

[123] National Institute of Economic and Social Research (2016) The impact of free movement on the labour market: case studies of hospitality, food processing and construction

[124] Rolfe, H. (2017). It's all about the Flex: Preference, Flexibility and Power in the Employment of EU Migrants in Low-Skilled Sectors. Social Policy and Society / The All-Party Parliamentary Group on Migration (2017) Brexit: beyond the highly skilled – the needs of other economic stakeholders

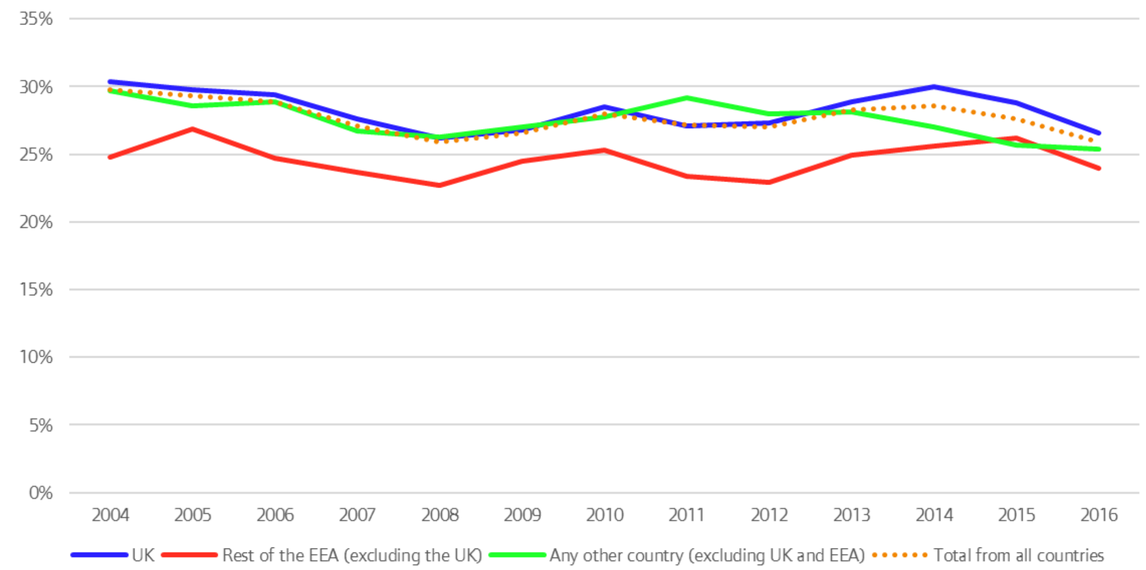
**Figure 29: Percentage of workers who have had job-related training or education in the preceding 13 weeks in London and the rest of the UK, 2004 to 2016**




Source: Office for National Statistics, Annual Population Survey

As expected, the incidence of work-related training was highest among London workers born in the UK in 2016 (27 per cent), followed by non-EEA born workers (25 per cent), and EEA-born workers (24 per cent). Since 2004, the incidence of training among workers has fallen slightly for workers in London regardless of country/area of birth, although it has remained relatively steady for UK and EEA-born workers in recent years.

**Figure 30: Percentage of workers who have had job-related training or education in the preceding 13 weeks by country/area of birth, London, 2004 to 2016**




Source: Office for National Statistics, Annual Population Survey

Table 13 further breaks down the incidence of job-related training by country/area of birth and combined major occupational groups. It shows that the difference between London and the rest of the UK is most pronounced for UK-born workers in major occupational groups 5-9. This implies that UK-born workers in these occupations in London are more likely to receive job-related training than their counterparts elsewhere in the country, despite the presence of high numbers of EEA-born workers. On the contrary, EEA-born London workers in these roles were far less likely to receive job-related training in 2016, but they were more likely to receive job-related training in higher-skilled roles (SOC 1-4).

**Table 13: Percentage of workers who have had job-related training or education in the preceding 13 weeks by country of birth and major occupational group, London and the rest of the UK, 2016**

| Major occupational group | Born in the UK | Born in the rest of the EEA (excl. the UK) | Born in any other country (excl. UK/EEA) | Total all countries |
|---|---|---|---|---|
| | | **London** | | |
| SOC 1-4 | 27.5% | 31.3% | 29.9% | 28.5% |
| SOC 5-9 | 23.8% | 15.7% | 19.2% | 20.5% |
| **Total all occupations** | **26.6%** | **24.0%** | **25.4%** | **25.9%** |
| | | **Rest of the UK** | | |
| SOC 1-4 | 28.0% | 30.1% | 27.9% | 28.0% |
| SOC 5-9 | 19.1% | 16.4% | 18.2% | 18.8% |
| **Total all occupations** | **23.8%** | **21.3%** | **23.3%** | **23.7%** |
| | | **Difference (percentage points)** | | |
| SOC 1-4 | -0.5 | 1.2 | 2.0 | 0.5 |
| SOC 5-9 | 4.7 | -0.7 | 1.0 | 1.7 |
| **Total all occupations** | **2.8** | **2.7** | **2.1** | **2.2** |

Source: Office for National Statistics, Annual Population Survey

This is consistent with most evidence that shows little or no evidence of immigration leading to reduced investment in training.[125] A 2014 survey by the Chartered Institute of Personnel and Development (CIPD) suggests that firms employing migrants are more likely to invest in their own workforce, although this is likely to be linked to the size of organisation.[126] Evidence from the 2015 UKCES Employer Skills Survey also suggests that London employers do not recruit migrant workers at the expense of investments in skills and training in their own workforce, even when faced with hard-to-fill vacancies or skills gaps. For example:

- A far higher proportion of London employers with hard-to-fill vacancies had responded by investing in training for existing workers (9 per cent) or expanding trainee programmes (9 per cent), than recruiting non-UK workers (3 per cent).
- Two-thirds (68 per cent) of employers with skills gaps increased training activity or spend to improve the skills levels of employees. By comparison, less than a fifth (19 per cent) reported recruiting workers who are non-UK nationals to meet skills gaps.[127]

### How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector? Do you have plans to increase this involvement in the future?

All Londoners, from all backgrounds - including the EEA citizens and migrants who live here - should feel able to access training to develop the skills they need to progress in a great career. The Mayor will ensure that devolution of the Adult Education Budget (AEB) to London from 2019/20 delivers for all Londoners, delivering an adult education and skills system that responds dynamically to the unique context of the capital and puts the needs of individual Londoners at its heart. As part of this, City Hall will work with employers, providers and local authorities through AEB devolution to identify new and more diverse sources of investment in English for Speakers of Other Languages (ESOL), support the development of new

[125] National Institute of Economic and Social Research (2012) Skilled immigration and strategically important skills in the UK economy / National Institute of Economic and Social Research (2016) The impact of free movement on the labour market: case studies of hospitality, food processing and construction

[126] Around half of UK employers that recruited migrant workers also offered training initiatives like apprenticeships and work placements, compared with about a quarter of organisations that did not employ migrant workers. Source: CIPD (2014) The growth of EU labour: Assessing the impact on the UK labour market

[127] UK Commission's Employer Skills Survey (2015) Employer Skills Survey

approaches to strategic planning and commissioning of ESOL, and address practical barriers to ESOL learning.

The devolution of the AEB is part of a wider Mayoral commitment to lead a new skills agenda for the capital. The Mayor's Skills for Londoners Taskforce, set up earlier this year, brings together employers, skills and education experts, and London's government, to develop a city-wide, strategic approach to skills. It consists of a board of experts with backgrounds in business, skills and employability.

The Taskforce is supported by a much larger stakeholder advisory group, on which it can draw for advice and guidance, and to take forward specific areas of work. One of these is to develop a Skills Strategy for London, a consultation on which will be published shortly. This will set out what is expected from London's skills system in its entirety.  This includes ensuring that businesses and employers in London have access to the skills they need to succeed now and in the future, and that all Londoners are able to access skills to participate in society and progress in education and in work.

The taskforce will also work collaboratively with the National Careers Service (NCS) to ensure that the service offer in London better responds to local economic and social needs, and seeks to provide Londoners, particularly from disadvantaged backgrounds, with better and more accessible information on skills, employment and entrepreneurship.

The Skills work will draw on the expertise of London's universities, many of which already work closely with schools, Further Education Colleges and other providers. London's universities provide a rich resource of knowledge and research expertise, innovation and business support and supply of skilled and talented graduates. There is a growing involvement in pre-18 learning and training – with specialist and sponsored academies, University Technical Colleges and school networks. Higher education is represented on several working groups as part of the Skills for Londoners work and on the London Enterprise Action Partnership, (LEAP) the London LEP. The LEAP is hosting a higher education sector seminar later this year which will align the work of universities more closely with the Mayor's objectives on skills. This work will also cover the development and delivery of higher level and degree apprenticeships across London's sectors, including creative, tech and construction.

**How well aware are you of current UK migration policies for non-EEA migrants? If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised? For example, the current shortage occupation list applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?**

The impacts of Brexit on the labour market will vary depending on the nature of any future agreement with the EU and the future UK migration regime. However, if the current visa rules for non-EU workers were also applied to EU workers, then a significant share of recent EU workers would be ineligible.[128] According to recent research by the IPPR, the impact would be particularly significant for Accommodation and food sector, while more than two thirds of EEA migrant employees in Health and social work would not be eligible – despite their analysis factoring in that nurses and paramedics are on the 'shortage occupation list'.[129]

As a service-based, knowledge economy, a key strength of the current relationship as a EU member is the mobility of skilled, talented and entrepreneurial individuals. For example, London has attracted significant numbers who work as freelance and self-employed in the creative industries, technology and a range of other sectors.[130] Freedom of Movement has allowed firms to recruit or contract individuals quickly, as and

[128] IPPR (2017) Striking the right deal: UK–EU migration and the Brexit negotiations and
[129] IPPR (2017) Striking the right deal: UK–EU migration and the Brexit negotiations
[130] For example, an estimated over 1 in 4 of jobs (27.8 per cent) in London's creative economy were taken by self-employed workers in 2016, compared to 16.8 per cent of jobs in the non-creative economy. Source: GLA Economics (2017) London's creative industries - 2017 update

when they need. This is a key feature of start-ups and fast growth companies, for example, who may need an individual with specific skills without delay and sometimes on a short-term basis (see Box 1).

The current visa system for non-EU nationals will find this type of migration difficult to accommodate. It is largely based around employer sponsorship and requires employers to navigate a complex compliance system. Many SMEs have never made use of the UK's points-based immigration system.[131] While GLA-commissioned research found that where SMEs are registering to sponsor, many are paying for legal advice in order to ensure compliance and often experience additional costs.[132] The visa system does include non-sponsored routes (e.g. Tier 1) but the criteria for entry are focused on exceptionally talented individuals or entrepreneurs with capital. As a result, the numbers are small to date.[133]

The start-up culture of London is part of its global reputation and attraction to entrepreneurial talent. It is already restricted by the capital and job creation requirements of the Tier 1 entrepreneur routes. Starts-ups and SMEs may find it more difficult to meet the current salary requirement for Tier 2 in order to recruit from outside the EEA. The £30,000 threshold limits the types of jobs to which people can be recruited. The current salary threshold would also apply to a range of supposedly lower-skilled, but social and economically important roles, such as social care and hospitality, where EEA nationals make a significant contribution. The Mayor of London has set out his position on future immigration.[134] This includes having more flexible criteria for attracting non-EEA entrepreneurial and freelance talent. The Mayor also wants to see a clear post-study work route to support the competitiveness of our universities in recruiting international students.

The Mayor also believes there is an opportunity to better utilise the Tier 1 Investor Visa to support innovative and high growth start-ups and scale-ups. In summary, the capital generated through this route has largely been invested in listed securities such as Government bonds and some shares/debt of large PLCs.  There is concern that the Tier 1 Investor visa has become biased towards portfolios of market traded securities rather than the provision of capital to directly finance business growth in exchange for securities. As it currently stands, the contribution a pure market-traded portfolio makes to the economy is limited by comparison to what could reasonably be expected from the injection of capital into innovative and high growth ventures.

If migration from the EEA was restricted along occupation skill levels, the Government needs to be mindful of adding administrative and other recruitment costs to employers who have, to date, employed EEA nationals on the same basis as UK nationals. There are options for addressing shortages in lower-skilled work, other than expanding the Shortage Occupation List, if the Government restricts EEA immigration to these roles. For example, Tier 3 could be activated to address agricultural and food processing. Another option could be to add EEA member states to Tier 5's Youth Mobility Scheme (YMS). This could be reciprocal with UK young people have opportunities to live, work and study for two years across the EEA. Although the YMS is not directly linked to shortages in low skilled occupations, the assumption is that certain sectors (eg hospitality) offer opportunities for labour market entry at an early stage and for further progression.

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[131] A recent survey by the Federation for Small Businesses found that 95 per cent of small employers had never made use of the UK's points-based immigration system to meet their business' labour and skills needs. Source: FSB (2017) A skilful exit: What small firms want from Brexit

[132] Oxford Economics (2016) The Recruitment of Migration Workers by London Science and Technology Firms https://lep.london/publication/recruitment-migrant-workers-london-science-and-technology-firms-march-2016

[133] Home Office (2017) Immigration Statistics - April-June 2017

[134] Mayor of London (2017) Immigration: a future approach

**Box 4: International Talent and the Creative Industries**

| |
|---|
| London's Creative Industries are world leading, due in large part, to the diversity of its talent and highly specialised creative clusters.[135] Based on current trends, approximately one million new creative jobs could be created by 2030 across the UK.[136] The current Tier 2 shortage occupation list already includes 17 creative industries occupations, such as graphic designers, orchestral musicians and visual effects specialists. More widely, there has been a 28 per cent reduction in the level of art and design GCSE's taken since 2010; while creative SME's often require an international workforce to respond to global competitive bids. With a diminishing level of homegrown talent coming into the sector, any constraints to access of EEA talent is highly likely to have a negative impact on the Creative Industries. |

## Economic, Social and Fiscal Impacts

**What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy? What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?**

The evidence compiled in this report shows the economic contributions of European migrants, but migration has also enriched our society, culture, and communities. More needs to be done to build bridges between all of London's communities, strengthen the bonds between Londoners from different walks of life and ensure every Londoner gets to share in the prosperity generated by our city. It is for this reason that social integration is a priority of the GLA, and work is being undertaken to both celebrate our diversity as a city, and to support Londoners from diverse backgrounds to lead interconnected lives.

There is broad agreement among economists that labour migration is a net economic benefit over the long term. Both the immigrant and resident populations are likely to see improved living standards (overall) when compared to a situation of zero migration, although the impact on different groups may vary considerably.[137] Concerns over immigration tend to focus on these distributional effects such as the potential for downward pressure on the wages of native workers or job displacement. However, most academic research in the UK points to a relatively benign impact on the UK labour market (in terms of both wages and employment rates) from EU migration.[138] This section brings together evidence and research on the matter and draws links to the London context where possible.

### Labour market

Migrants from the EEA who are resident in London had a higher employment rate (80.3 per cent) in 2015 than the UK-born population (74.4 per cent) as shown in Table 14. Interestingly, the employment rates for working age EEA residents was higher in London than the UK overall.

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[135] For example, London has the third largest film industry in the world, is a top four fashion capital, has a rich heritage of theatre, dance and music, is a leading city for publishing and advertising, a centre for visual arts and design, and is making significant headway in computer gaming.

[136] Sir Peter Bazalgette (2017) Independent Review of the Creative Industries

[137] For example, see: Portes, J. (2016) 'Immigration, free movement and the EU referendum'. See also Ozden, C. (2015), 'A long commute'. IMF Finance and Development

[138] Home Office and Department for Business and Skills, 2014, Impacts of migration on UK native employment: An analytical review of the evidence'

**Table 14: Employment and unemployment rates by country/area of birth for London and the UK residents in 2015, 16-64yrs**

| Country/area of birth | London | | UK | |
|---|---|---|---|---|
| | Employment rate | Unemployment rate | Employment rate | Unemployment rate |
| UK or British Overseas Territory | 74.4% | 6.4% | 74.0% | 5.2% |
| Rest of the EEA (excluding the UK) | 80.3% | 4.3% | 79.2% | 4.9% |
| All other countries (excluding the UK and EEA) | 67.4% | 6.6% | 66.3% | 7.2% |

Source: Office for National Statistics, Annual Population Survey

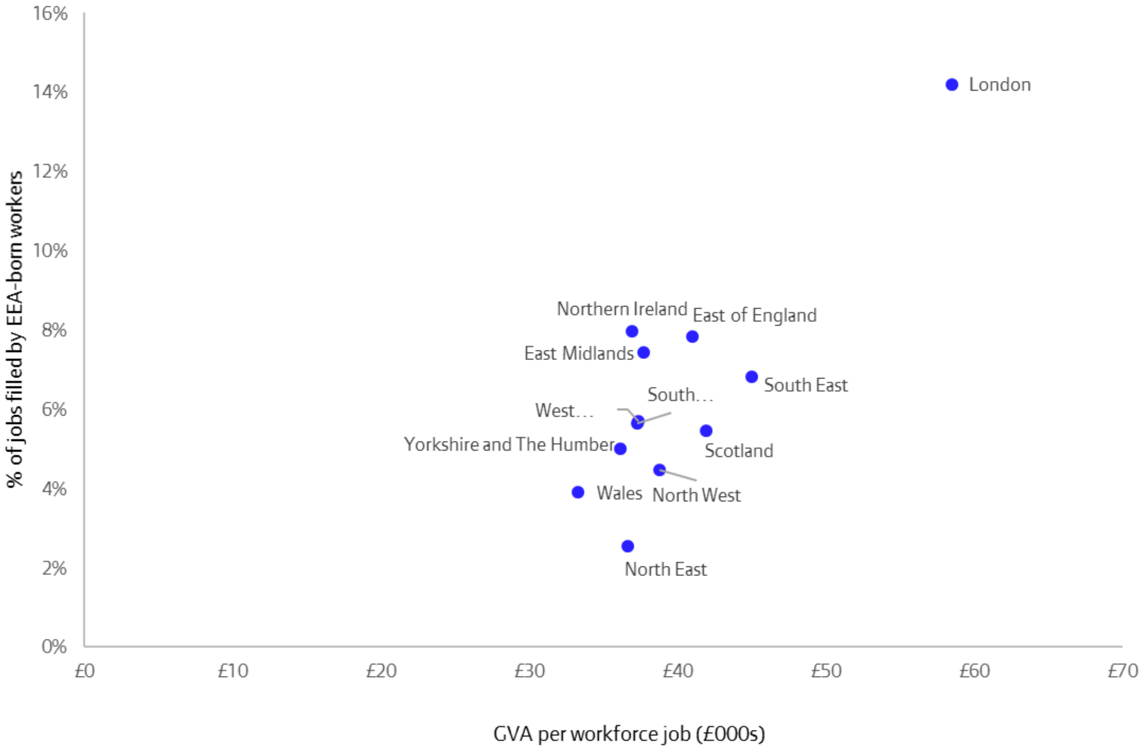
A common argument against migration is that migrants could reduce the employment chances of UK natives. However, there is a clear consensus in the literature that this is not the case. Recent trends in the London labour market support this view: the employment rate in London has risen for UK-born workers in recent years, despite the considerable increase in migrant workers during this period.[139] Although some studies have found an impact on wages at the lower end of the wage distribution, the magnitude of this impact is heavily disputed.[140] Declines in net migration could tighten the labour market if labour supply falls faster than labour demand.[141] In the longer term, lower immigration is expected to reduce labour force and productivity growth.[142]

**Businesses – productivity, innovation and investment**

Research by the National Institute of Economic and Social Research (NIESR) finds beneficial effects of migration, such as higher productivity in industries and sectors with a high concentration of migrant workers.[143] As Figure 31 shows that regions/countries in the UK where a higher share of jobs are filled by EEA workers also tend to have higher levels of GVA per workforce job[144], particularly in London. This could partly reflect the attractiveness of stronger economies to incoming migrants. However, it may also reflect the high skills levels amongst EEA workers in London. It is also consistent with previous econometric analysis that shows a positive correlation between the share of immigrants in region-sectors and labour productivity over time, even after controlling for workforce characteristics.[145]

[139] This could be due to migrants consuming goods and services themselves, which increases demand and the number of jobs that produces these goods and services. In the medium to long run, immigration can also be expected to lead to more investment. Both effects result in greater demand for labour and thus increased wages and employment in the economy. In other words, the number of jobs in an economy is not fixed (the "lump of labour fallacy").
[140] GLA Economics (2016) Economic Evidence Base 2016
[141] OECD (2017) Economic Surveys: United Kingdom
[142] Kierzenkowski, R., N. Pain, E. Rusticelli and S. Zwart (2016), "The Economic Consequences of Brexit: A Taxing Decision", OECD Economic Policy Papers, No. 16, OECD Publishing, Paris, http://dx.doi.org/ 10.1787/5jm0lsvdkf6k-en.
[143] National Institute of Economic and Social Research (2012) Skilled immigration and strategically important skills in the UK economy
[144] This data is available on the GLA Datastore: https://data.london.gov.uk/dataset/gva-per-workforce-job
[145] National Institute of Economic and Social Research (2013) Migration and productivity: employers' practices, public attitudes and statistical evidence

**Figure 31: GVA per workforce job (2015) and percentage of jobs filled by EEA-born workers (2016), by UK region/country**




Source: GLA Economics and ONS Annual Population Survey

Qualitative research by the Department for Business, Innovation & Skills[146] suggests that UK businesses largely held a positive view of the impact of migrant employees.[147] Firms noted that migrant workers typically brought more knowledge and skills than would otherwise have been the case from a domestic worker. Given cultural differences, migrants can also bring new ideas that can lead to the upskilling of colleagues and increase productivity.[148]

Indeed, there is evidence that immigration has been good for innovation in London. Research by the Spatial Enterprise Research Centre (SERC) found positive links between migrant entrepreneurs and innovation in London, with diverse management teams significantly more likely to innovate than the average company founder.[149] This research also suggested that firms with migrant entrepreneurs on their management teams are better able to enter international markets due to pre-established networks and them having the necessary language skills which make transaction costs lower. Foreign entrepreneurs play a particularly important role in certain parts of the economy. For example, figures compiled by DueDil, show significant growth in the number of UK tech company directors from EU countries in recent years.[150]

Relatedly, there is also evidence that the presence of migrants has a positive impact on inward investment decisions.[151] London is a prominent destination for Foreign Direct Investment (FDI) and, between 2010/11 and 2014/15, over a third (35 per cent) of all inward investment originated from Europe.[152] Further, 57 per

[146] Now the Department for Business, Energy & Industrial Strategy
[147] Department for Business, Innovation & Skills (2015) The impact of migrant workers on UK businesses, BIS Research Paper 217
[148] An increase in productivity could lead to an increase in wages and partly explain why immigration does not have a significant impact on wages overall.
[149] Nathan, M. and Lee, N. (2011) 'Does cultural diversity help innovation in cities: evidence from London firms', SERC discussion paper 69, LSE.
[150] According to DueDil, the number of foreign directors of new UK tech companies rose by 133% from 2010-2014, with the number of tech directors from EU countries up by 176%. Source: DueDil (2016) UK tech sector growth increasingly fuelled by foreign entrepreneurs
[151] Burchardi, K B, T Chaney and T A Hassan (2016) "Migrants, ancestors, and foreign investments", NBER, Working Paper 21847
[152] GLA Economics (2017) London and Europe: Facts and figures. Current Issues Note 51

cent of business leaders sampled in the 2016 European Attractiveness Survey stated that London was amongst the top three cities for FDI in Europe. However, some aspects of the EY survey provide evidence of uncertainty as to the continued success of the capital, with signs of reduced confidence in the UK's attractiveness as a destination for investment in the future. Brexit is likely to make the UK less attractive for FDI, particularly if access to the Single Market is lost.[153]

**Exchequer**

The fiscal impact of migration is the difference between the costs of the services and benefits they receive and the taxes and other public finance contributions they make. Overall, recent empirical work by the International Monetary Fund finds that immigration 'significantly increases GDP per capita in advanced economies'.[154] Looking at the UK specifically, analysis by the OECD suggests that immigrants have contributed on average 0.7 percentage points to GDP per year since 2005, with a slightly higher contribution of immigrants from the EU than non-EU countries.[155]

However, the Migration Observatory notes that estimates are 'limited because of a lack of data and accurate information about a wide range of important factors. For this and other reasons, a significant number of assumptions must be made in order to estimate the fiscal effects of immigration, and results tend to change based on these assumptions'.[156] Acknowledging this uncertainty, the Migration Observatory concluded that the fiscal impact is likely to be small – around +/- 1 per cent of UK GDP.[157] For example, Dustmann & Frattini estimated that the net fiscal impact of immigration from EEA countries was +£8.8bn between 1995 and 2011, which compared with a net fiscal impact of -£604.5bn for those born in the UK.[158]

Whilst this general finding provides for the average effect, the impact may well vary depending on the group considered and the time of arrival for example. Table 15 shows the estimates of the net fiscal impact of migrants from several studies though, as noted above, these are subject to some uncertainty as results can vary depending on the assumptions made. Positive numbers suggest a net fiscal contribution over the time period as a whole shown in the first column; negative numbers suggest that costs were greater than tax contributions. Overall, the studies suggest that the fiscal effect of recent migrants (whether positive or negative) was generally better than non-recent migrants, and similarly EEA migrants over non-EEA migrants.

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[153] Kierzenkowski, R., N. Pain, E. Rusticelli and S. Zwart (2016), "The Economic Consequences of Brexit: A Taxing Decision", OECD Economic Policy Papers, No. 16, OECD Publishing, Paris, http://dx.doi.org/ 10.1787/5jm0lsvdkf6k-en.
[154] International Monetary Fund (2016) Impact of Migration on Income Levels in Advanced Economies
[155] Kierzenkowski, R., N. Pain, E. Rusticelli and S. Zwart (2016), "The Economic Consequences of Brexit: A Taxing Decision", OECD Economic Policy Papers, No. 16, OECD Publishing, Paris, http://dx.doi.org/ 10.1787/5jm0lsvdkf6k-en.
[156] Vargas-Silva, C (2015). The fiscal impact of immigration in the UK, The Migration Observatory, Briefing, Revision 3.
[157] Ibid
[158] Dustmann, C & Frattini, T (2013). The fiscal effects of immigration to the UK, Centre for Research and Analysis of Migration, discussion paper series no 22/13.

**Table 15: Estimates of the fiscal effects of immigration for the UK over various time periods, constant 2011 prices**

| Time period | All migrants | | Recent migrants | |
|---|---|---|---|---|
| | EEA | Non-EEA | EEA | Non-EEA |
| **Dustmann & Frattini (2013)** The fiscal effects of immigration to the UK, Centre for Research and Analysis of Migration, discussion paper series no 22/13. | | | | |
| 1995-2011 | + £8.8bn | - £104.1bn | | |
| 2001-2011 | + £9.0bn | - £86.8bn | + £22.1bn | + £2.9bn |
| **Dustmann & Frattini (2014)** The fiscal effects of immigration to the UK, *The Economic Journal*, 124, pg.583-643. | | | | |
| 1995-2011 | + £4.4bn | - £118.0bn | | |
| 2001-2011 | | | | + £5.2bn |
| **MigrationWatch UK (2014)** An assessment of the fiscal effects of immigration to the UK. | | | | |
| 1995-2011 | - £13.6bn | - £134.9bn | | |
| 2001-2011 | - £13.4bn | - £116.8bn | - £0.25bn | - £27.17bn |
| **Rawthorn (2014)** Large scale immigration: its economic and demographic consequences for the UK, Civitas. | | | | |
| 2001-2011 | | | - £0.3bn | - £29.7bn |

*Note: the figures shown in this table are the cumulative fiscal effect over the specified time period. Source: See table. Taken from: Vargas-Silva (2015)*

More recently, official UK data suggests that foreign nationals pay more in income taxes and national insurance contributions than they receive in tax credits and child benefit. For example, a recent published HMRC report found that EEA nationals paid £13.6 billion more Income Tax and National Insurance than they took out in tax credits and Child Benefit in 2014-15 – up by £1.4bn since 2013-14.[159] Immigration can also provide longer-term economic benefits by mitigating population ageing.[160]

## Local services

A related point is whether migration has an impact on local services such as the availability of healthcare, schools or housing for example. In terms of the propensity to use services and focussing on the NHS, Wadsworth found that the use of hospitals and GP services was broadly the same for immigrants and native-born populations.[161] Similarly, Steventon & Bardsley also found no evidence that immigrants use elective or emergency care more than the UK-born population.[162] Moreover, Giuntella et al. found no evidence that immigration increases waiting times in A&E and elective care, though they observed an increase in waiting times for outpatients in more deprived areas outside of London.[163]

[159] HM Revenue & Customs (2017) Income Tax, NICs, Tax Credits and Child Benefit Statistics for EEA Nationals
[160] Kierzenkowski, R., N. Pain, E. Rusticelli and S. Zwart (2016), "The Economic Consequences of Brexit: A Taxing Decision", OECD Economic Policy Papers, No. 16, OECD Publishing, Paris, http://dx.doi.org/ 10.1787/5jm0lsvdkf6k-en.
[161] Wadsworth, J (2013). Mustn't grumble: immigration, health and health service use in the UK and Germany, Fiscal Studies, 34, 1, pg.55-82.
[162] Steventon, A & Bardsley, M (2011). Use of secondary care in England by international immigrants, Journal of Health Services Research and Policy, 16, pg.90-94.
[163] Giuntella, O et al. (2015). The effects of immigration on NHS waiting times, University of Oxford working paper. Available at: https://www.nuffield.ox.ac.uk/economics/papers/2015/giunt_nic_silva2015.pdf

**Box 5: Migration and School workforce**

EEA nationals form an important part of the teaching and wider school workforce. The award of Qualified Teacher Status (QTS) for 2015/16 indicates that EEA nationals are a significant group, particularly when compared with non-EEA. The most recent (national) figures show that the largest EEA nationality awarded QTS is Spanish (1,977); the highest non-EEA is Canadian at 765.[164] The larger EEA national population in London would suggest that EEA teacher and wider school workforce recruitment will be higher in the capital.

The concerns around future restrictions on EEA migration have been expressed by school leaders. For example, an Assistant Head in Kensington and Chelsea stated: *I think Brexit will have an impact on recruitment in London and in particular, language teaching. In recent years, we have been able to recruit from quite a large pool of native speakers to language teacher posts. With Brexit, it is likely that that pool will decrease and that will make language teaching poorer. It may also lead to less stability as EU nationals might stay for shorter periods. Currently, we have an issue with employing teachers from Australia and New Zealand. They come with 2-year visas, meaning we cannot employ them for long periods as their visas expire. This leads to constant changes in staffing which is disruptive for leaders and pupils and can affect standards over the years... This is not feasible going forward with dwindling budgets.*

Looking at housing, there is little and conflicting evidence to inform on whether this impact is positive or negative or the magnitude of this effect. Economic theory would suggest that an increase in demand for housing (for example) would result in higher prices and rents, though the overall effect would partly be dependent on the responsiveness of housing supply. A study looking at the impact of international migration on house prices between 2003 and 2008, finds that price effects are only modest. This is in part due to lower demand for housing among migrants, as well as the offsetting effects of prices on rates of household formation and outflows of domestic residents.[165] In contrast, Sá found that a 1 per cent increase in the migrant population resulted in a reduction in house prices by 1.6 per cent.[166] The author suggested that this dynamic was – like above – due to the offsetting effect of UK-born residents moving out of the area as migrant concentration increases which has a downward effect on prices.

In terms of social housing, the Migration Observatory reported that the percentage of migrants living in social housing (18 per cent) was broadly in line with the native population (17 per cent). However, Battiston et al. suggests that, once relevant household characteristics (such as number of children and number of adults in work) are accounted for, migrants are significantly less likely to be in social housing than the UK-born population.[167] At the same time, the number of EEA nationals sleeping rough in London reached 3,038 in 2016/2017, accounting for 39 per cent of London's rough sleepers.[168] The offer off the streets for non-UK nationals in extremely limited; hostel and other accommodation may not be an option for these clients, due to their ineligibility for benefits if they are not exercising their treaty rights.

Over 50 per cent of the country's English for Speakers of Other Languages (ESOL) provision takes place in the capital.[169] ESOL is essential for London to benefit from the wide range of skills brought by migrant populations and it also encourages integration and a cohesive society, develops family capital and improves health and wellbeing. Public spending on ESOL has been reduced by 60 per cent since 2009. Groups affected by the funding changes were identified in the government's ESOL Equality Impact Assessment in

[164] Department for Education, Initial Teacher Training Census: 2016-2017, Tables 8 and 8a.
[165] Meen, G (2012). The adjustment of housing markets to migration change: lessons from modern history, Scottish Journal of Political Economy, 59, 5.
[166] Sá, F (2015). Immigration and house prices in the UK, The Economic Journal, 125, 587, pg.1393-1424.
[167] Battiston, D et al. (2014). Immigration and the access to social housing in the UK, CEP discussion paper no 1264. Available at: http://cep.lse.ac.uk/pubs/download/dp1264.pdf
[168] GLA (2017) Combined Homelessness and Information Network Annual Report April 2016 – March 2017
[169] GLA (2012), English language for all

July 2011 as being those in low-paid work, those with low-level English language and literacy skills, and women with childcare responsibilities.

A final point to note is the potential negative impact of reduced availability of EEA workers on local service provision. As highlighted already, EEA workers play an important role in filling jobs in socially important roles, including Dental practice activities (29 per cent of jobs filled by EEA-born workers) and Child day-care activities (22 per cent of jobs).[170] Research by Independent Age also shows that almost 11 per cent of London's social care workforce was born in the EEA and without British citizenship in 2016. The report's analysis of different migration scenarios shows the important role of migrant workers in alleviating the care dependency ratio in future years.[171]

Many EEA nationals are already reporting serious challenges following on from the referendum vote in June 2016. Although their rights remain unchanged in law, there is huge uncertainty over their future status in the UK, as well as day-to-day challenges including feeling unwelcome, discrimination, hate crime, problems accessing credit and mortgages, difficulties renting private property, problems gaining employment, discrimination stemming from confusion about entitlements to services, and resulting mental health problems. There is also a lack of quality advice given the pressures on advice services.[172]

[170] Annual Population Survey three-year dataset (2014-2016). Based on occupations (unit groups) where there is 95% probability of more than 14% of jobs being done by a worker born in an EEA country, by country and region of the UK, 2014 to 2016.

[171] Independent Age (2016) Brexit and the future of migrants in the social care workforce

[172] London Assembly, EU Exit Working Group session, European voices: EU Londoners speak, 19 July 2017, transcript available at https://www.london.gov.uk/moderngov/documents/s64506/European%20voices%20EU%20Londoners%20speak%2019%20July%202017%20EU%20Exit%20Working%20Group%20Cover%20Report.pdf

## Definitions:

**European Economic Area:**

- From 2004 to 2006, "Rest of the EEA (excluding the UK)" includes the Åland islands, Austria, Belgium, Bulgaria, the Canary Islands, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.
- From 2007 onwards, "Rest of the EEA (excluding the UK)" includes the same countries listed above, as well as Iceland. This is because Iceland was only recorded as a distinct value on the APS from 2007 onwards. As such, there may be a slight discontinuity in the data between between 2006 and 2007.
- As members of the EEA, the citizens of Iceland, Liechtenstein and Norway currently have the same rights as EU citizens to enter, live in and work in the UK.

**European Union**

- The member countries of the European Union have also altered over time.
- Unless otherwise qualified, "European Union" estimates are for the EU15 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden) up to the end of 2003, for the EU25 (the EU15 and EU8 groupings plus Malta and Cyprus) from 2004 - 2006, for the EU27 (the EU25 plus Bulgaria and Romania) from 2007 to June 2013 and for the EU28 (the EU27 plus Croatia) from July 2013.
- Estimates are shown separately for the EU15, the EU8 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, formerly known collectively as the A8) and the EU2 (Bulgaria and Romania). British citizens are excluded from all EU groupings.

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