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EEA workers in the London labour market

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Introduction

In July 2017, the Government commissioned the Migration Advisory Committee (MAC) to advise on the labour market impact of the UK's exit from the European Union (EU) and how the UK's immigration system should be aligned with a modern industrial strategy. The MAC subsequently published a call for evidence on the [role of European Economic Area \(EEA\) workers in the UK labour market](#) in August 2017.

GLA Economics has drawn on a range of official statistics to examine the part played by EEA workers in London. An extensive selection of evidence is covered in the GLA's [full response to the MAC](#). This note sets out some of the key findings of this response. Its purpose is to provide an overview of relevant data in order to support debate and enhance decision making, not to discuss policy recommendations or implications.¹

The rest of the note is set out as follows. The first section describes the approach used to analysing the role of EEA workers in London. The second section highlights the evidence about the characteristics of EEA workers and how trends have changed over time. The third section looks at labour market participation by country of birth and, finally, the link between productivity and migration by geography and sector.

¹ For more on the Mayor of London's approach to migration see: Mayor of London (2017) [Immigration: a future approach](#)

Our Approach

In most of what follows, and consistent with recent MAC reports, country-of-birth is used to define migrants as those not born in the UK. There are, though, several ways of defining migration – none of which are perfect.² The choice of measure largely depends on the purpose for which the data is being used. The benefits of using country-of-birth is that it offers a consistent and objective measure, suitable for analysing stocks of workers in the labour market over time.³ At the same time, it 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 overseas).

The information summarised in this note draws on user requested data provided by the Office for National Statistics (ONS) and mainly comes from the Annual Population Survey. There are several points to keep in mind about the approach adopted:

- The focus is mainly on the role of workers from the European Economic Area (EEA), with comparisons with UK and non-EEA workers where possible.⁴ In some cases, where necessary, data is presented using an EU/non-EU breakdown.
- In line with previous GLA Economics reports, the data is mainly presented on a jobs and not a workers basis (i.e. for first and second jobs based in London)⁵ and looks at stocks rather than flows.⁶
- The emphasis of this note is on work-related migration. According to ONS data, this covers the majority of EU migrants to the UK, but excludes those who come for family reasons or to study.⁷

² For a summary of approaches to migration statistics, see: House of Commons Library (2017) [Migration Statistics. Briefing Paper: number SN06077](#)

³ Whereas, for example, an individual's nationality can change over time and there is a risk that self-reported answers on nationality can reflect cultural affiliation rather than actual legal status.

⁴ Free movement of workers also applies, in general terms, to the countries in the EEA: Iceland, Liechtenstein and Norway.

⁵ 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. But the number of jobs differs from the number of workers because some people have more than one job.

⁶ It is important to distinguish between 'stocks' and 'flows' of migrants. The [agreement reached between the UK and the European Union on citizens' rights](#) suggests that most EEA citizens already in the UK will have a right to remain after the UK leaves the European Union. In this case, the total stock of EEA workers in the UK or London would only be affected to the extent that the flow of EEA citizens changes. And while the most recent data suggests a sharp reduction in net migration to the UK from the EU, net migration of EU citizens to London remained positive in 2016. For more detail see: ONS (2017) [Migration Statistics Quarterly Report: November 2017](#)

⁷ International Passenger Survey (IPS) data show that the reason for immigration varies by nationality group with, for example, the majority (68 per cent) of EU immigrants arriving in the UK for work-related reasons. Again, for more detail see: ONS (2017) [Migration Statistics Quarterly Report: November 2017](#)

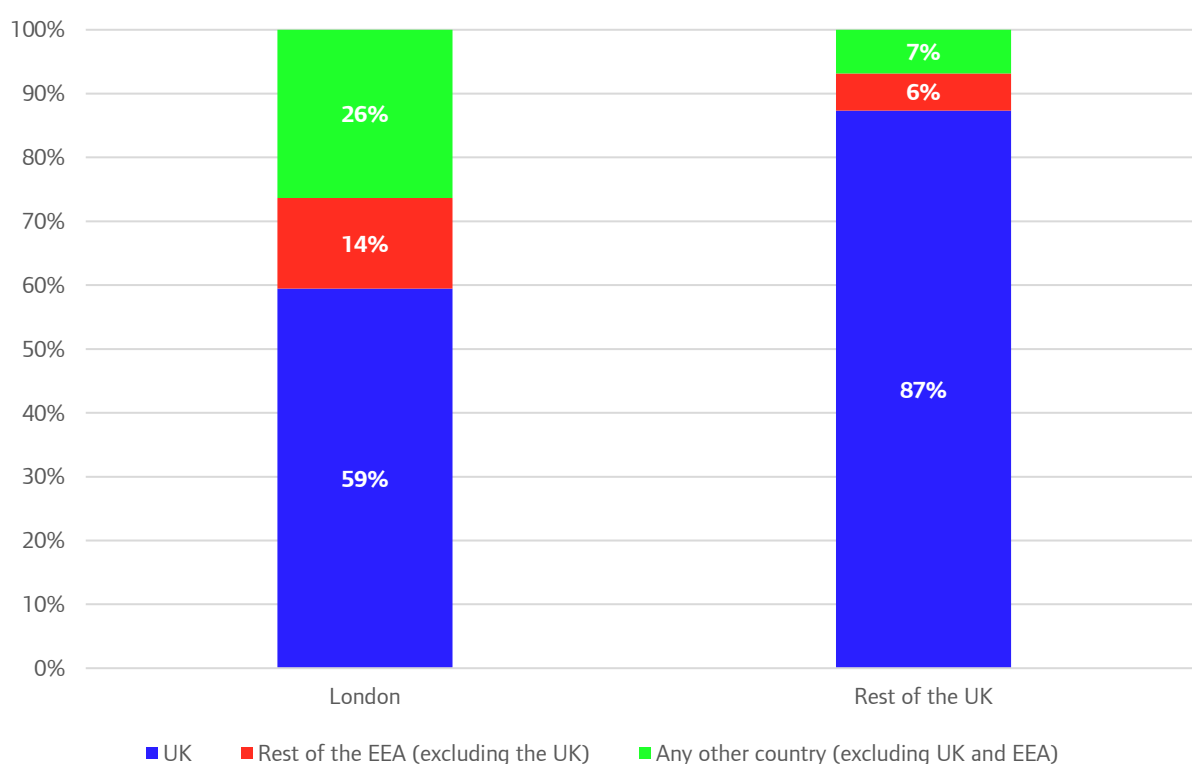
Jobs filled by EEA workers in the London Labour Market

This section sets out the main evidence on the role of EEA workers in the London labour market and how this differs from those born in the UK and non-EEA countries. It highlights how the number of jobs has changed over time by country of birth, what we know about the characteristics of EEA workers in London (age, skill levels) and the types of jobs they perform (employment status, sector).

EEA workers make a far greater contribution to London's labour market than in the rest of the UK...

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.⁸ As Figure 1 shows, 14 per cent – approximately 748,000 – of jobs in London were filled by EEA workers in 2016, with another 1.4 million or 26 per cent of jobs filled by people from 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.⁹

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



Source: ONS 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

⁸ Unless otherwise stated references to the EEA in this paper exclude the UK.

⁹ 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](#)

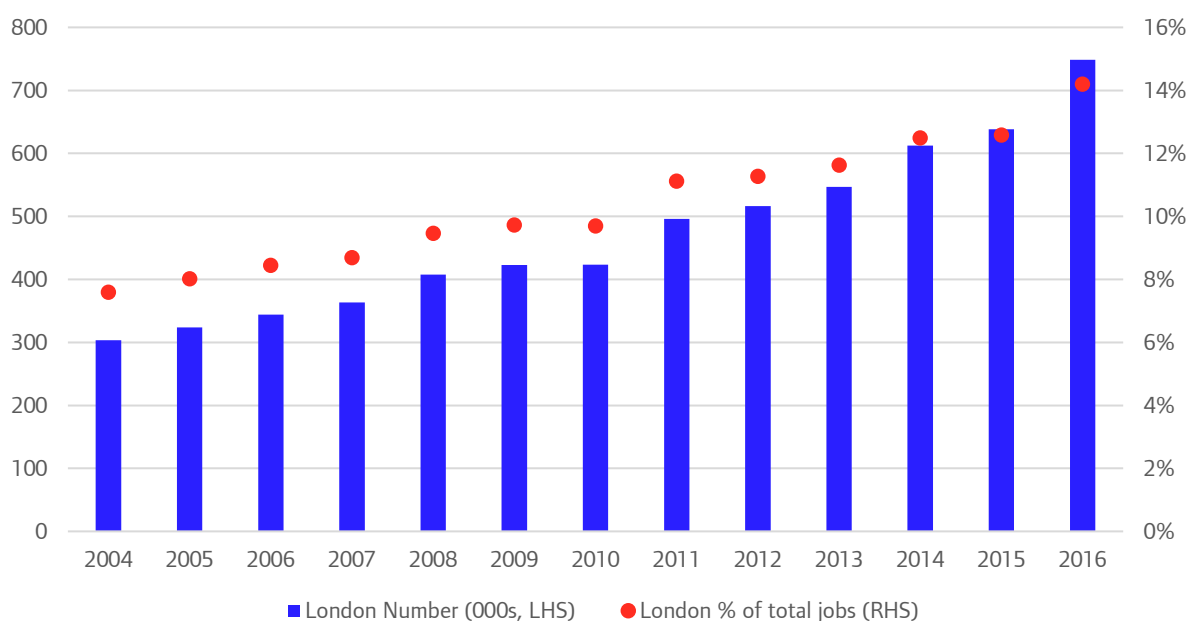
proportions of jobs filled by workers born in the rest of the EEA – both 8 per cent.¹⁰ By comparison, only 3 per cent of jobs are held by EEA workers in the North East of England.

... this follows significant growth in the stock of jobs filled by EEA workers since 2004

The number of jobs held by EEA workers in London has increased significantly since 2004. As Figure 2 shows, the total number of jobs filled by workers born in the rest of 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 workers accounted for less than 8 per cent of London's jobs in 2004, but over 14 per cent of jobs in 2016.

Figure 2: Number (LHS) and share (RHS) of jobs, EEA-born job holders, London, 2004 to 2016

figures displayed in thousands



Source: ONS Annual Population Survey

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

Table 1: 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: ONS Annual Population Survey

¹⁰ 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.

Growth in jobs filled by EEA 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 2012.¹¹ Thus, a significant increase in migration (and hence the supply of labour) since 2012 has been accompanied by an increase in demand for UK/resident labour.

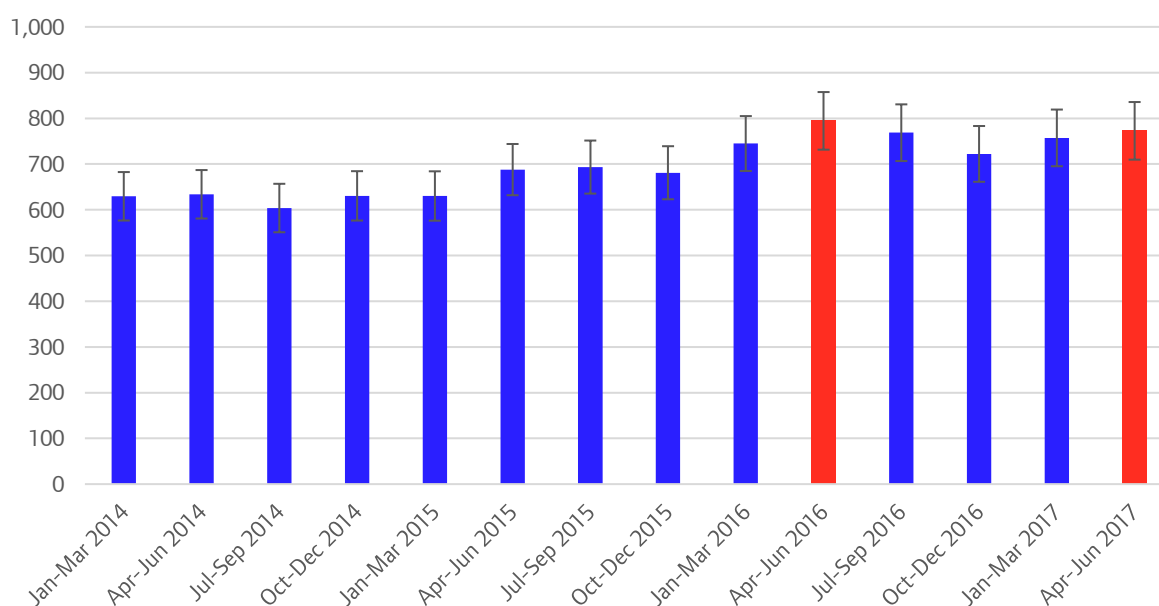
... although the UK's decision to leave the EU could be slowing the rate of growth

It is difficult to know how the number of jobs filled by EEA workers in London has changed since the UK voted to leave the EU in June 2016. The latest long-term international migration statistics indicate a significant fall in net migration to the UK from the EU in the year since the EU referendum.¹² However, the regional data available through the ONS Annual Population Survey is based on 12 months of survey data and only allows analysis up to 2016. It is, though, possible to look at more recent quarterly data using the ONS Labour Force Survey. This data is not seasonally adjusted and should be treated with caution due to smaller sample sizes.

On this basis Figure 3 shows, for London, the number of jobs filled by workers born in the rest of the EEA by quarter between January to March 2014 and April to June 2017. In-line with the trends identified above, the number of jobs filled by EEA workers in London generally increased during this period: rising from 634,000 in April to June 2014 to 794,000 jobs for the same period in 2016 (around the time of the EU referendum). Since then the growth in jobs held by EEA workers appears likely to have stalled, though it remains too soon to tell if these trends are corroborated in future data releases.

Figure 3: Number of jobs filled by EEA-born workers in London, Jan-Mar 2014 to Apr-Jun 2017

figures displayed in thousands; confidence intervals at 95% level



Source: ONS Labour Force Survey

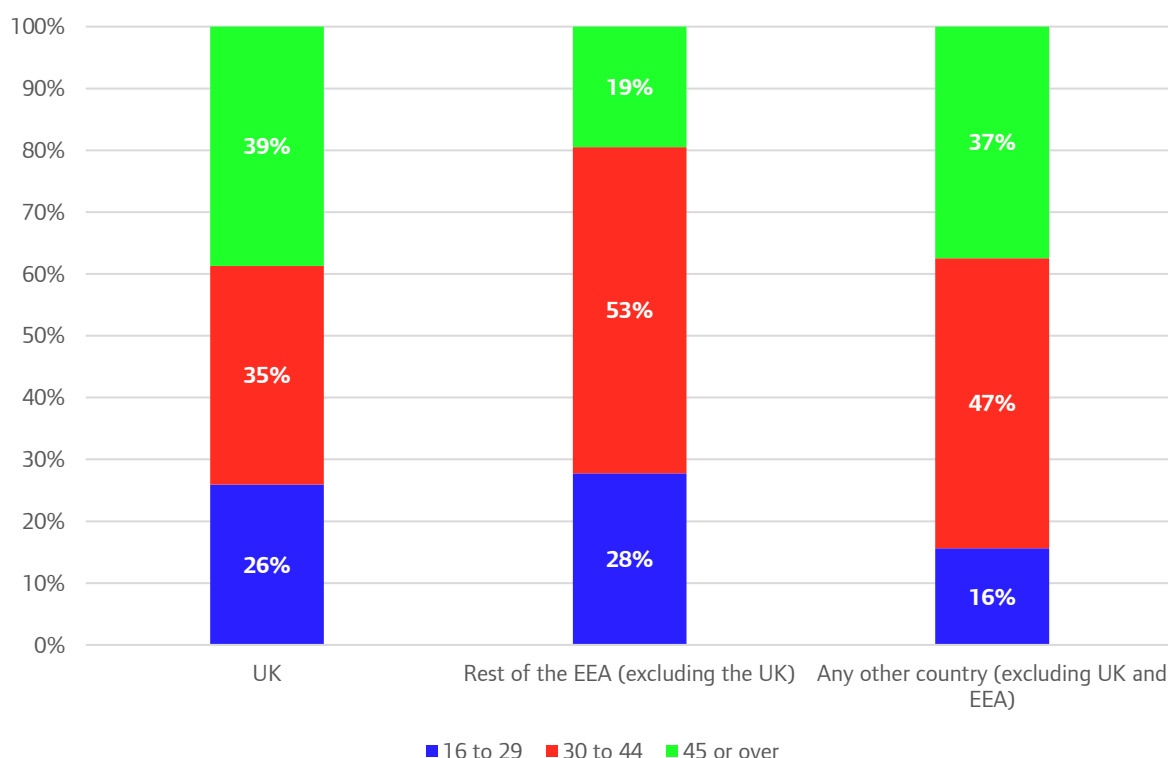
¹¹ The number of jobs filled by UK workers increased by 236,000 between 2012 and 2016, compared to 232,000 for EEA workers and 225,000 for non-EEA workers. Source: ONS (2017) Annual Population Survey

¹² ONS (2017) [Migration Statistics Quarterly Report: November 2017](#)

Job holders born in the rest of the EEA tend to be relatively young...

EEA workers in the London labour market tend to be younger than those London workers born in the UK or elsewhere. Figure 4 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 a higher share of jobs filled by EEA-born workers in the 16-29 age group and especially the 30-44 age group.

Figure 4: Percentage of jobs in London by country/area of birth and age of job holder, 2016



Source: ONS Annual Population Survey

An estimated 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.

... and highly qualified compared to those born in the UK or non-EEA countries

Table 2 shows a breakdown of jobs held according to country and area of birth and highest qualification held. It shows that approximately 62 per cent of jobs are filled by EEA-born 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.¹³ 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.

Table 2: 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 | Born in any other country | Total |
|--------------------------------|----------------|---------------------------|---------------------------|-------------|
| 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: ONS Annual Population Survey

But EEA workers in London are employed across a range of higher and lower-skilled occupational groups...

Table 3 shows a breakdown of jobs by 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)¹⁴ – 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 high-skilled qualifications profile.

Table 3: 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 | Born in any other country | Total |
|--|----------------|---------------------------|---------------------------|-------------|
| 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% |

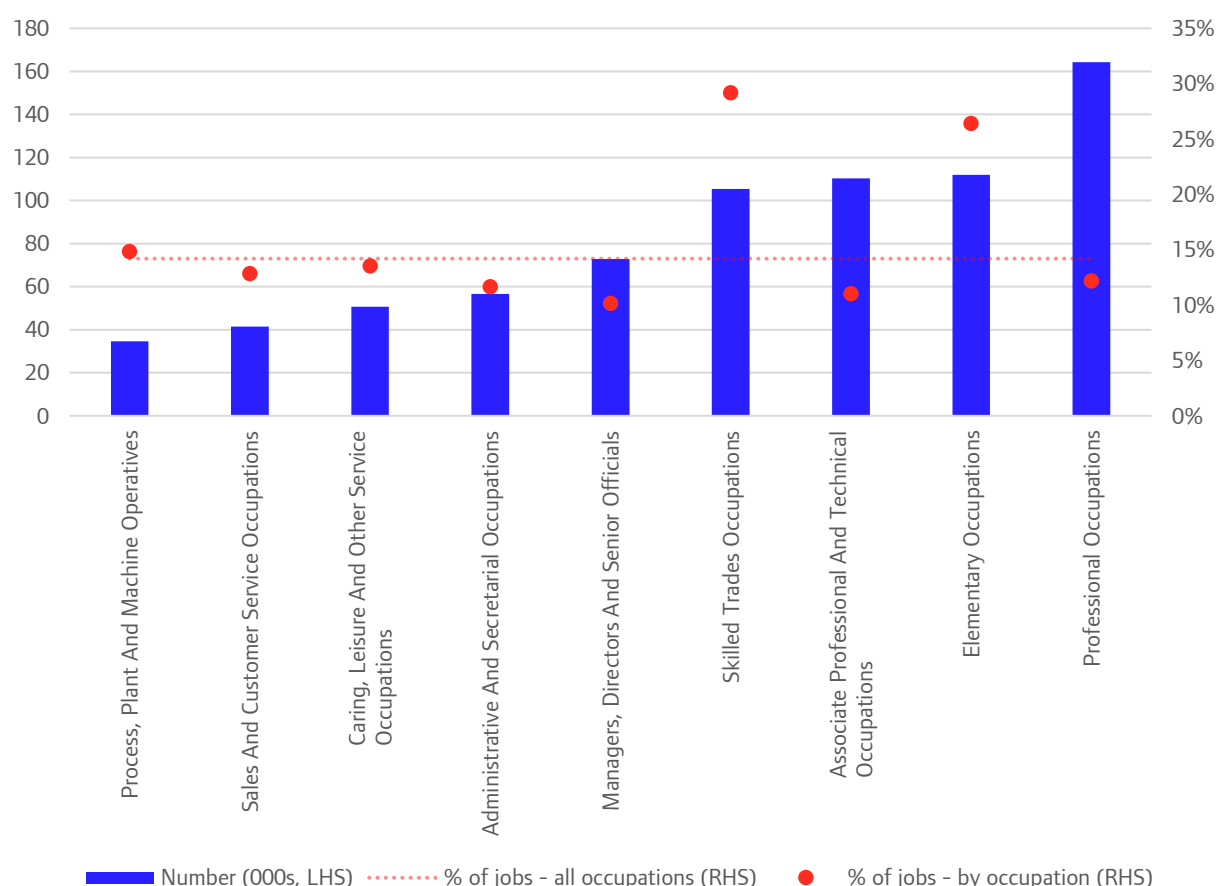
Source: ONS Annual Population Survey

¹³ 19 per cent of jobs filled by workers born in the rest of 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 rest of 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.

¹⁴ ONS (2017) [Annual Survey of Hours and Earnings: 2017 provisional and 2016 revised results](#).

Looking 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 rest of the EEA in London. As Figure 5 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 roles¹⁵; while the latter tends to be lower-paid and lower-skilled, requiring fewer formal qualifications than other roles.

Figure 5: Number and percentage of jobs filled by EEA-born workers by major occupational group, London, 2016
figures displayed in thousands



Source: ONS Annual Population Survey

... which is reflected in a high rate of 'over-qualification' among EEA workers

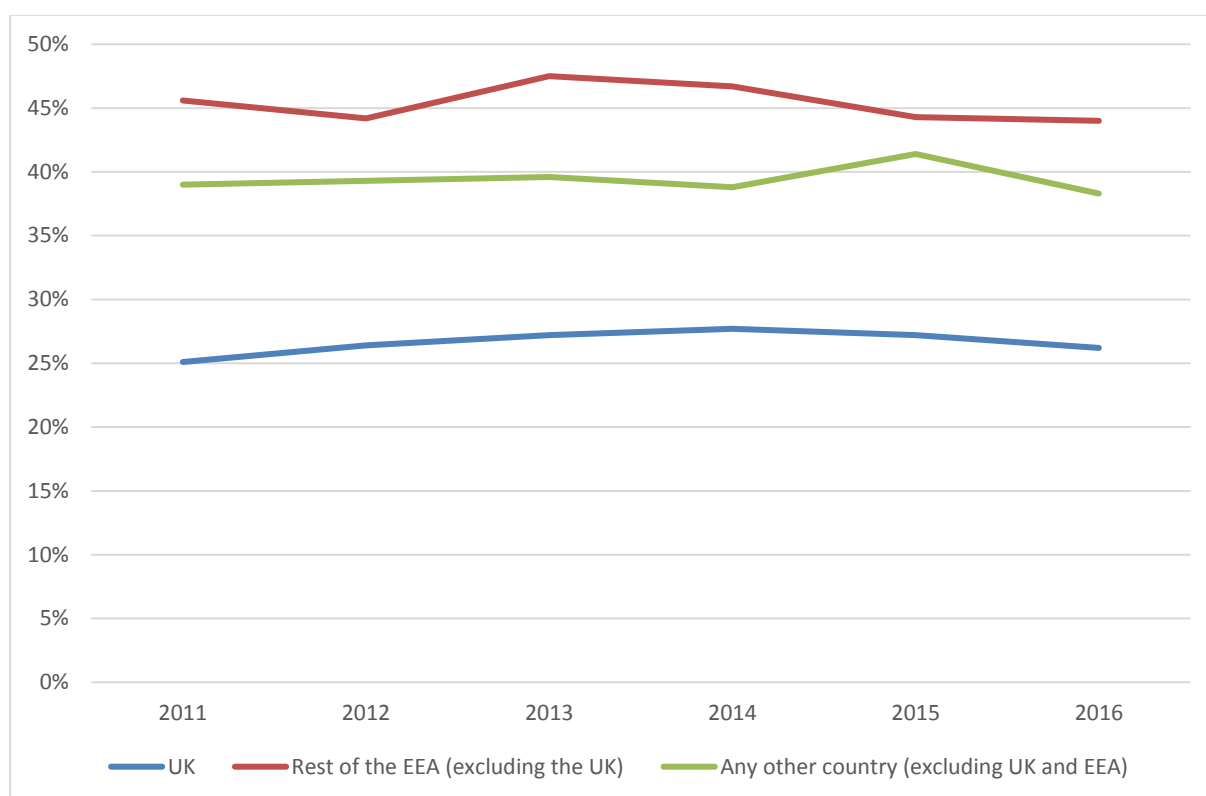
The difference between the qualifications and occupations of EEA workers in London is reflected in a high incidence of 'over-qualification'. For London, an estimated 44 per cent of graduates born in the rest of the EEA were working in non-graduate roles in 2016, compared to only one in four (26 per cent) graduates born in the UK and 38 per cent born in the rest of the world.¹⁶

¹⁵ UKCES (2016) Employer Skills Survey 2015

¹⁶ 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.

Previous GLA Economics work has shown that non-UK born workers with higher education qualifications 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.¹⁷ 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.^{18,19}

Figure 6: Percentage of graduates working in non-graduate roles by country of birth, 2011 to 2016, London



Source: ONS Annual Population Survey

Two-thirds of jobs filled by EEA-born workers are permanent employee jobs

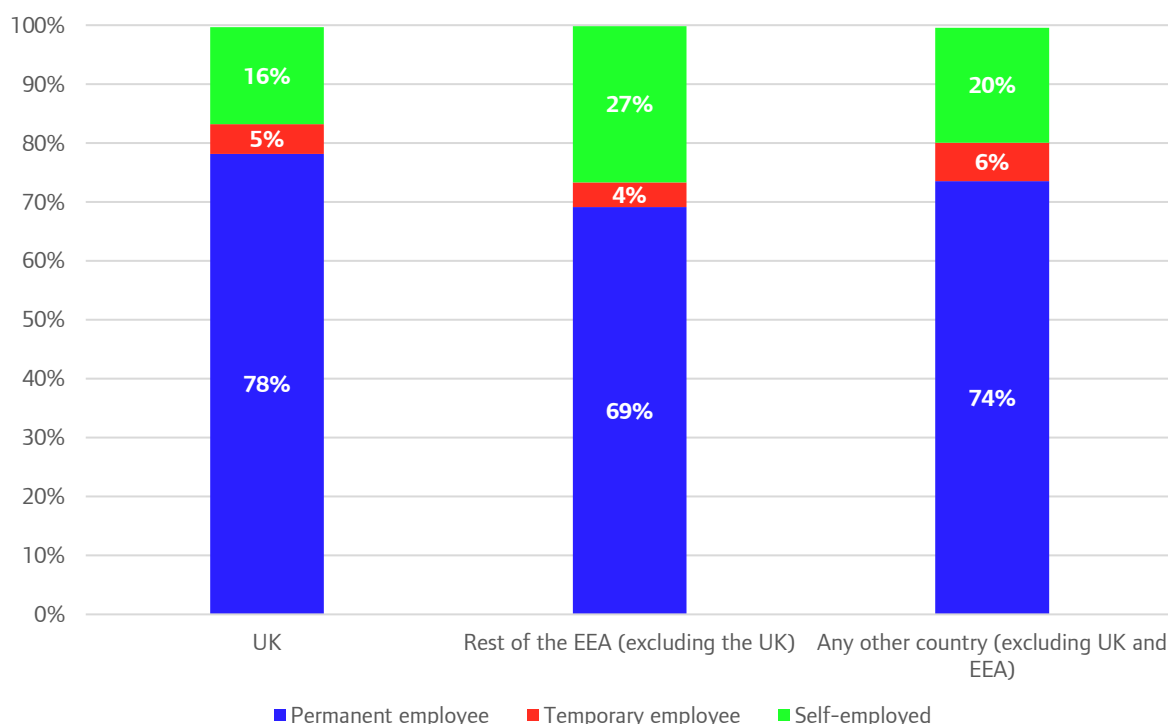
Moving on to consider the types of jobs EEA workers fill: Figure 7 sets out the number of jobs in London by country and area of birth and employment status. It shows that most jobs held by workers born in the EEA in London are in permanent roles: of the 748,000 jobs held by EEA workers in 2016, 69 per 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.

¹⁷ GLA Economics (2016) [Economic Evidence Base for London 2016](#) (see chapter 9)

¹⁸ Migration Policy Institute (2013) Tackling Brain Waste: Strategies to Improve the Recognition of Immigrants' Foreign Qualifications

¹⁹ Stirling, A (2015) Migrant employment outcomes in European labour markets, Institute for Public Policy Research.

Figure 7: Percentage of jobs in London by country/area of birth and employment type, 2016



Source: ONS Annual Population Survey

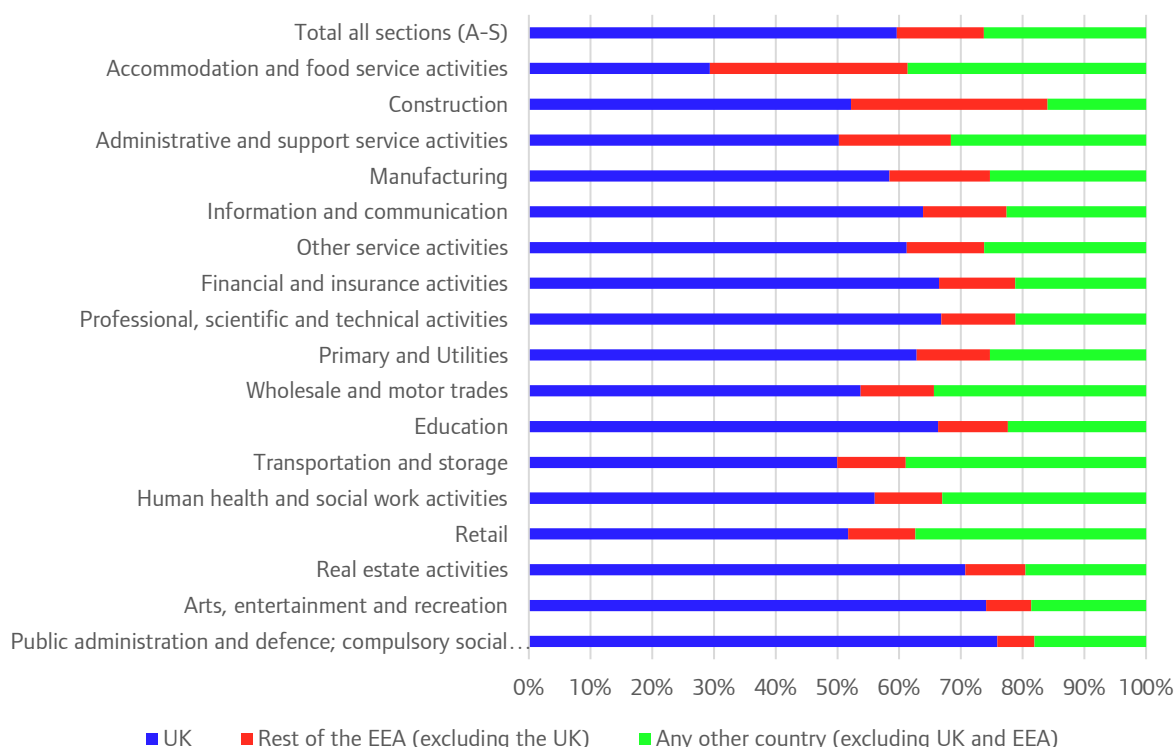
However, the share of jobs filled by EEA workers that are permanent is lower than for workers born in the UK (78 per cent) and non-EEA countries (74 per cent). In London, the difference is in the prevalence of self-employment among EEA workers, but not in the rate of temporary employment. Relative to their share of all jobs filled (14 per cent), EEA workers are overrepresented in terms of self-employed jobs (20 per cent), evenly-represented in terms of permanent employee jobs (13 per cent) but underrepresented in terms of temporary employee jobs (11 per cent). This partly reflects the high number of jobs filled by EEA workers in the Construction sector in London, where self-employment is relatively common.²⁰

EEA workers in London make a particularly strong contribution in certain industries, especially in Construction and Accommodation and food services...

EEA workers account for a particularly high share of the London labour force in certain industries. Figure 8 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 third (32 per cent) of jobs in London were held by workers born in the rest of 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).

²⁰ ONS (2016) [Trends in self-employment in the UK: 2001 to 2015](#)

Figure 8: Percentage of jobs by industry and country/area of birth, London, 2016

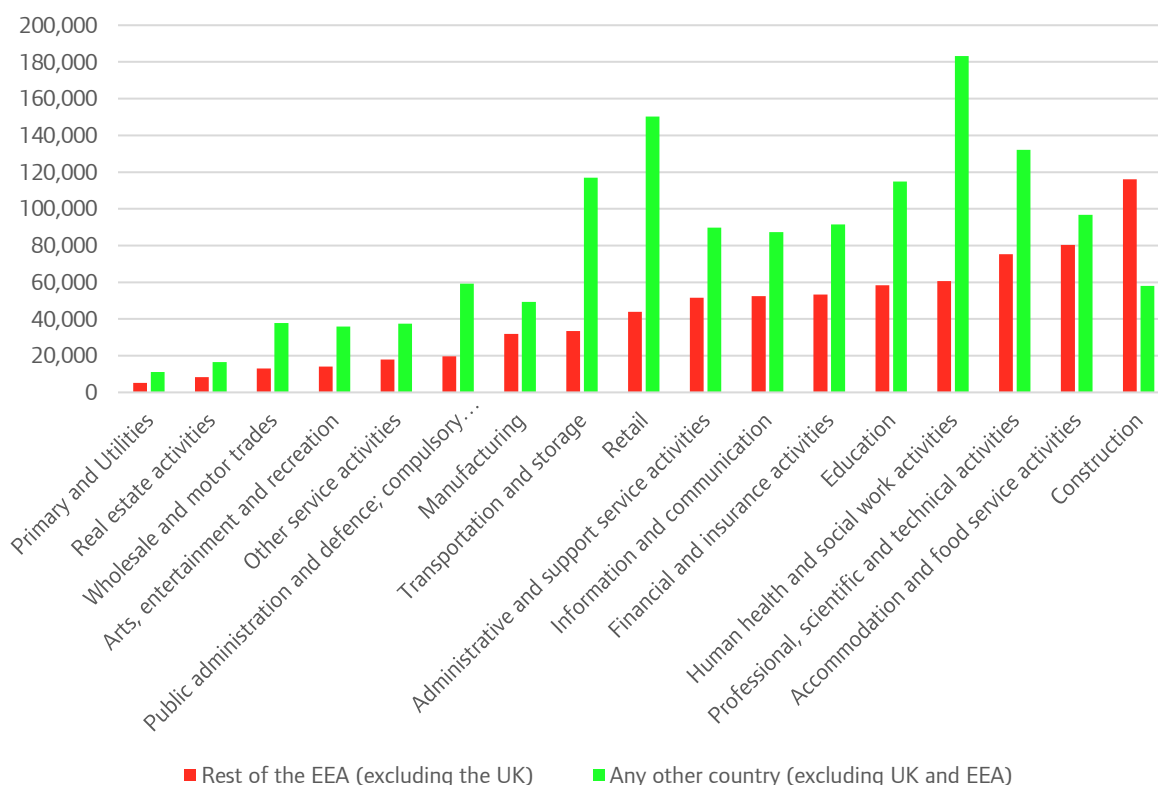


Source: ONS Annual Population Survey

... but, in absolute terms, account for a significant number of jobs in a broader range of sectors...

Looking at jobs by industrial sector in absolute terms also helps to highlight some notable features of the London labour market (Figure 9). The Accommodation and food services and Construction 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 9: Jobs by industry by country/area of birth (non-UK only), London, 2016
figures displayed in thousands



Source: ONS Annual Population Survey

It is also clear from Figures 8 and 9 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.

... and an even higher share of jobs in several sub-sectors in London

Examining industry codes in more detail shows that EEA workers make up a much higher share of the workforce in certain sub-sectors in London, suggesting areas that could be particularly vulnerable to a reduction in the availability of EEA migrants. For example, Table 4 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 4: 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 | % |
| Licensed restaurants | 75,000 | 30,000 | 40% |
| Construction of domestic buildings | 74,000 | 23,000 | 31% |
| Hotels and similar accommodation | 47,000 | 22,000 | 47% |
| General cleaning of buildings | 57,000 | 18,000 | 32% |
| Construction of commercial buildings | 60,000 | 15,000 | 25% |
| Painting | 20,000 | 9,000 | 44% |
| Hairdressing and other beauty treatment | 37,000 | 8,000 | 21% |
| Child day-care activities | 36,000 | 8,000 | 22% |
| Unlicensed restaurants and cafes | 34,000 | 8,000 | 23% |
| Joinery installation | 19,000 | 7,000 | 37% |
| Activities of households as employers of domestic personnel | 18,000 | 7,000 | 37% |
| Other building completion and finishing | 10,000 | 5,000 | 48% |
| Dental practice activities | 17,000 | 5,000 | 29% |
| Other specialised construction activities n.e.c. | 15,000 | 5,000 | 31% |
| Other cleaning services | 11,000 | 5,000 | 44% |
| Freight transport by road | 12,000 | 4,000 | 30% |
| Translation and interpretation activities | 7,000 | 2,000 | 31% |

Source: ONS Annual Population Survey three-year dataset (2014-2016)

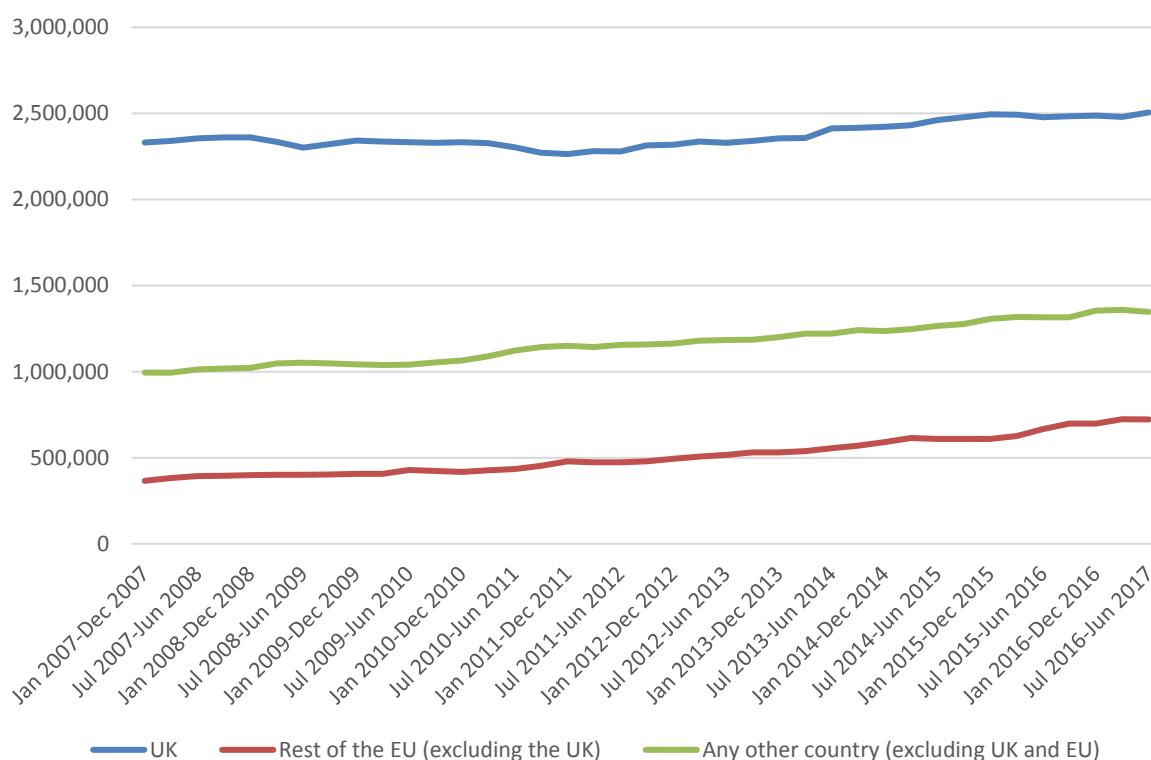
Labour market participation and productivity of EEA workers

So far this paper has focused on the number of jobs filled by workers born in the rest of the EEA in London. However, a common argument against migration is that it could reduce the employment chances of existing residents, although there is a strong consensus in the literature that this is not the case.²¹ This section looks further at labour market participation of London residents from Europe using data from the Annual Population Survey, before going on to discuss the link between productivity and the number of jobs filled by EEA migrants.

Employment has increased significantly for EU and non-EU workers...

Figure 10 sets out the level of employment for London residents aged 16 and over by country of birth.²² It shows that, for the 12 months to June 2017, there were an estimated 4.6 million people living in London who were in employment. Of these, 2.5 million (55 per cent) were born in the UK, 1.3 million were born in non-EU countries (29 per cent), and 722,00 (16 per cent) were born in the rest of the EU.

Figure 10: Employment levels for London residents by country/area of birth (aged 16+ only)



Source: ONS Annual Population Survey

Since 2007 the level of employment in London has increased for residents regardless of country of birth (trends may be partly influenced by the recovery from the 2007/08 economic downturn).

²¹ For example, see: Home Office & Department for Business, Innovation & Skills (2014) Impacts of migration on UK native employment: an analytical review of the evidence.

²² Unlike most of the analysis in this note, the breakdown for this [dataset](#) follows an EU/non-EU structure, as opposed to EEA/non-EEA.

The number of London residents in employment who were born in the UK increased by 150,100 or 6 per cent between the 12 months to June 2008 and the same period to June 2017. However, this was a lower rate of growth than for EU residents in employment (+328,700 or 83 per cent) or non-EU residents in employment (+334,300 or 33 per cent) during the same period.

Table 5: Change in the employment by country/area of birth, London, 2007/08-2016/17

figures displayed in thousands

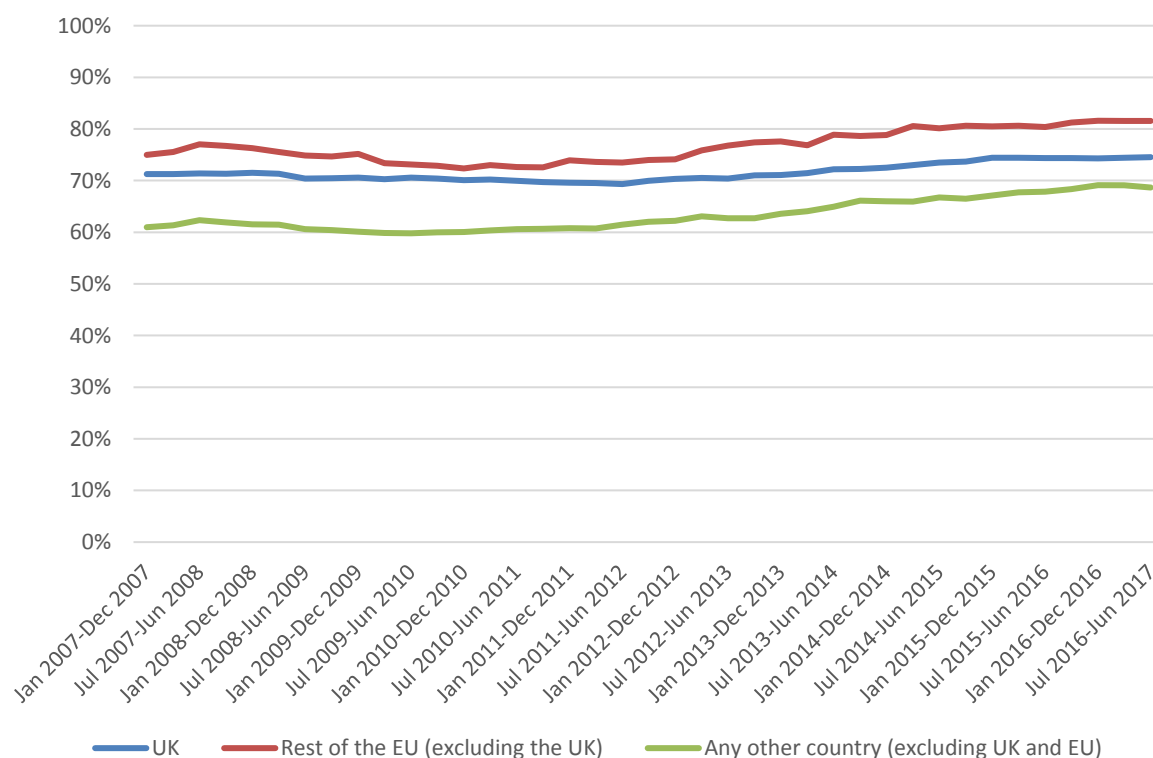
| Country/area of birth of job holder | Jul 2007- Jun-08 | Jul 2016- Jun-17 | Change | |
|---|---------------------|---------------------|------------|------------|
| | | | Numbers | % |
| UK | 2,356 | 2,506 | 150 | 6% |
| Rest of the EU (excluding the UK) | 394 | 722 | 329 | 83% |
| Any other country (excluding UK and EU) | 1,013 | 1,347 | 334 | 33% |
| Total from all countries | 3,762 | 4,575 | 813 | 22% |

Source: ONS Annual Population Survey

... and, overall, the employment rate in London is highest for residents born in the EU

Figure 11 sets out the rate of employment for London residents aged 16-64 by country of birth. The employment rate for those born in the EU was higher than for those born elsewhere. An estimated 82 per cent of London's working age EU residents were in employment in the year to June 2017, compared to 75 per cent of UK born residents and 69 per cent of residents from non-EU countries.

Figure 11: Employment rate for London residents by country/area of birth (% aged 16-64)

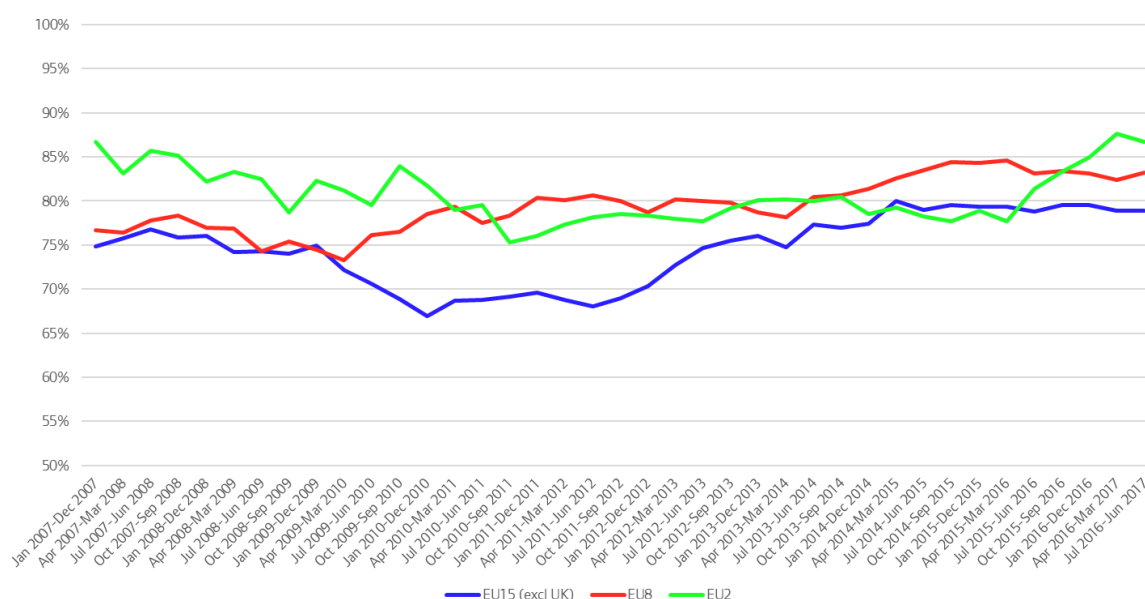


Source: ONS Annual Population Survey

Again, since 2007 employment rates have also increased for residents regardless of country of birth. Between the 12 months to June 2008 and the same period to June 2017, the employment rates for UK born residents aged 16-64 increased by around 3 percentage points, 7 percentage points for other EU residents (excluding the UK) and 8 percentage points for non-EU residents.

Figure 12 breaks down the employment rate for London residents born in the EU by detailed country group (EU15 excluding UK, EU8, and EU2).²³ It shows that, for the 12 months to June 2017, the proportion of working age residents in employment was highest for those born in EU2 countries (estimated 87 per cent), followed by EU8 residents (83 per cent) and residents from the rest of the EU15 (79 per cent).

Figure 12: Employment rate for EU born London residents, by selected country groups (% aged 16-64)



Source: ONS Annual Population Survey

The link between productivity and migrant workers is complex

A further question around migration is the impact on productivity. In one view, migration supports productivity, therefore benefitting existing residents. On the other hand, access to a large supply of migrant labour could also reduce the incentive for employers to make production more capital-intensive. Providing conclusive evidence for these effects is difficult; however, the balance of recent research suggests beneficial effects of migration on living standards in the UK overall, pointing towards higher labour resource utilisation and productivity gains from migration.²⁴

In keeping with these findings, Figure 13 shows a positive correlation between the share of jobs filled by EEA workers and levels of GVA per workforce job (a proxy for labour productivity) by UK region/country, particularly for London. As noted already, EEA workers in London tend to be highly qualified compared to their UK or non-EEA born counterparts and have higher rates of

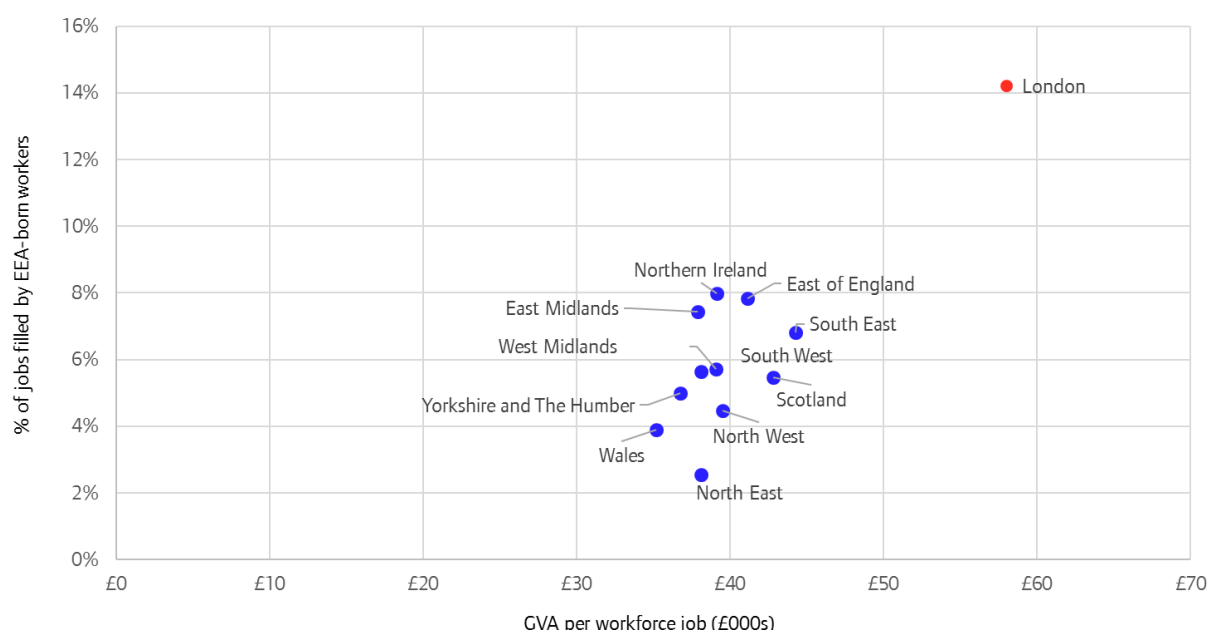
²³ EU15 includes: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden. EU8 includes: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. EU2 includes: Bulgaria and Romania.

²⁴ See, for example: OECD (2017) Economic Surveys: United Kingdom / IMF (2016) United Kingdom: Selected Issues. Country Report No. 16/169 / Boubtane, E., et al. (2015), Immigration and Economic Growth in the OECD Countries 1986–2006, CESifo Working Paper Series No. 5392 / Portes, J. (2015), The Bank of England's EU analysis: free movement and immigration

employment. This is consistent with positive impacts on productivity related to the skills that migrants possess and their tendency to work more hours.²⁵

But there are differences in the pattern of productivity and jobs filled by EEA workers between sectors in London (Figure 14), with a high proportion of EEA workers in the (low to medium productivity) hospitality and construction sectors. This may reflect difficulties in attracting UK workers to fill jobs in certain low or semi-skilled roles, particularly in sectors with seasonal or fluctuating employment patterns.²⁶ In this way EEA workers may have complemented UK workers in the labour market.²⁷ In some cases, though, there may be scope for investment in labour-saving technology to substitute for migrant labour, thereby raising productivity.²⁸

Figure 13: GVA per workforce job and percentage of jobs filled by EEA-born workers, by UK region/country, 2016



Source: GLA Economics and ONS Annual Population Survey

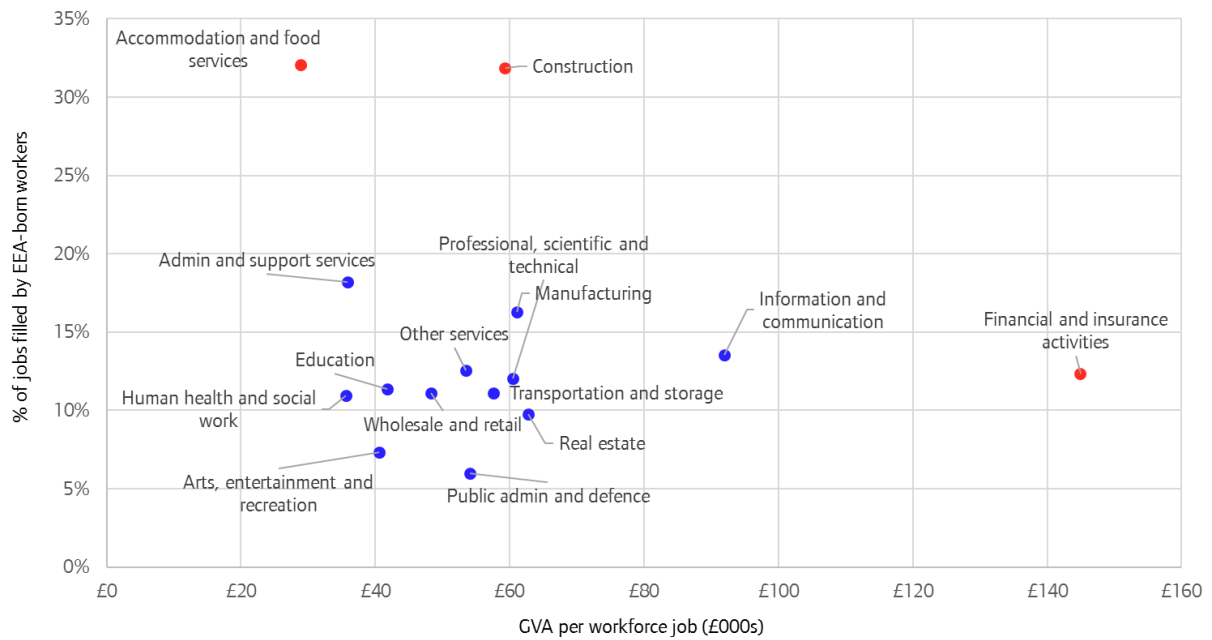
²⁵ See, for example: Rolfe, H., C. Rienzo, M. Lalani and J. Portes (2013) Migration and productivity: Employers' practices, public attitudes and statistical evidence. National Institute of Economic and Social Research / Wadsworth, J., S. Dhingra, G. Ottaviano and J.V. Reenen (2016) Brexit and the Impact of Immigration on the UK. CEP Brexit Analysis. No. 5.

²⁶ See, for example: CIPD (2017) Facing the future: tackling post-Brexit labour and skills shortages / Rolfe, H. (2017). It's all about the Flex: Preference, Flexibility and Power in the Employment of EU Migrants in Low-Skilled Sectors

²⁷ IMF (2016) Migrants Bring Economic Benefits for Advanced Economies

²⁸ Resolution Foundation (2017) Work in Brexit Britain

Figure 14: GVA per workforce job and percentage of jobs filled by EEA-born workers in London, by selected broad sector, 2016



Source: GLA Economics and ONS Annual Population Survey

Conclusions

In August 2017, the Migration Advisory Committee called for evidence on the role of EEA workers in the UK labour market. While not intending to be a comprehensive survey, this note summarises the main evidence that GLA Economics has collected about the characteristics of EEA workers in London and how trends have changed over time. In summary, the evidence shows that:

- EEA workers have made an increasingly significant contribution to London's labour market since 2004. They tend to be young and highly qualified when compared to workers born in the UK or elsewhere; yet they work across a range of occupations and the rate of over-qualification among EEA-born graduates is higher than for UK or non-EEA born residents.
- In relative terms, London's EEA workers make a particularly strong contribution to certain industries – especially construction and accommodation and food – but also account for a considerable number of jobs in several other sectors and mostly work in permanent roles.
- Working age residents born in the EU in London have a higher employment rate than residents born in the UK and, overall, there is a positive correlation between labour productivity and the share of jobs filled by EEA workers between different parts of the UK (although there are differences at a sector level within the capital's economy).

Going forward, GLA Economics will undertake further analysis on how the UK's decision to leave the European Union translates into any impact on London's economy via our monthly [London's Economy Today](#) (LET) publication and our biannual economic commentary and forecast for London in [London's Economic Outlook](#) (LEO) amongst other publications.

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