



9 October 2007

# **Statistical Evidence on the Economic Impact of Immigration**

**House of Lords Select Committee on Economic Affairs**

The National Statistician, Karen Dunnell, has been invited to give evidence to the House of Lords Select Committee on Economic Affairs as part of its inquiry into the economic impact of immigration.

The attached document was submitted to the Select Committee to provide statistical evidence as background to their investigation. It has been drawn together by the Office for National Statistics, assisted by the Department for Work and Pensions and the Home Office.

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# **Statistical Evidence on the Economic Impact of Immigration**

Statistical Submission to the  
House of Lords Select Committee on  
Economic Affairs

## Summary

This submission provides the statistical evidence to the House of Lords Select Committee on Economic Affairs as background to the investigation of the economic impact of immigration. It has been drawn together by the Office for National Statistics, assisted by Department of Work and Pensions and Home Office.

The submission contains evidence on the following:

### *Background (Section 1)*

Measuring international migration is complex. To meet the key requirements for statistics, timely, accurate estimates are needed of the number of people coming into, going out of and present in the country for different durations and reasons (short and long term residence, seeking refuge, employment, study, etc). This cannot be achieved using a single source of information. Some of the key sources and indicators are described (Total International Migration, International Passenger Survey, Labour Force Survey, National Insurance numbers and the Worker Registration Scheme).

### *Numbers and characteristics of immigrants (Section 2)*

By 2006, the Labour Force Survey (LFS) indicated that the proportion of the resident population born abroad had risen to 10 per cent. In the years 2001 to 2005, there were 2,258,000 foreign born arrivals into the UK for a year or more and 871,000 departures, indicating a net growth of foreign born residents of 1,387,000. Taking account of a net outflow of the UK-born, the overall effect of long term migration among the foreign and UK born was to add 885,000 to the population in the five years to the end of 2005. Latest figures, indicate that, between mid 2001 and mid 2006, the contribution of long term migration to population growth was 939,000. The submission provides details of these flows by year, citizenship, country of birth, duration of stay, age and region. The impact on fertility levels is described.

### *Population projections and migration (Section 3)*

Population projections based on 2006 estimates will be published on 23 October. They will include a long term assumption, based on past trends, of 190,000 net annual increase in population due to migration. This replaces the 2004-based assumption of 145,000. The 2004-based projections indicated that the population of the UK is expected to continue to grow, driven by positive natural change (more births than deaths) and net in-migration. However, the key demographic challenge for the UK in the years ahead will be population ageing. The 2004-based projections suggest that the proportion of the population that is aged over 65 is expected to rise from 16 per cent in 2007 to 21 per cent in 2027, and then to 26 per cent by 2057.

#### *Employment of immigrants (Section 4)*

A significant proportion of foreign-born workers are working in the public administration, education & health (32%), distribution, hotels & restaurants (21%) and banking, finance & insurance (20%) sectors. A8 foreign-born are particularly concentrated in the distribution, hotels & restaurants (24%), manufacturing (21%) and construction (14%) sectors. The submission provides further details of economic activity rates, wage levels, and proportions self-employed. These are analysed by duration of time in the UK and compared with the UK born. Figures are provided on proportions claiming benefits within six months.

#### *How can data on immigration be improved? (Section 5)*

In May 2006, the Inter-Departmental Task Force on international migration statistics was set up by the National Statistician to recommend timely improvements that could be made to estimates of migration and migrant populations in the United Kingdom, both nationally and at local level. The Task Force report was published in December 2006. The submission summarises the Task force recommendations, describes improvements made to date and plans for further improvements in each of the years 2008 to 2012.

#### *How immigration is reflected in the National Accounts (Annex A)*

Gross Domestic Product (GDP) is the headline summary indicator of economic activity in the UK. There are three approaches to producing one measure of GDP, namely the production, income and expenditure approaches. The national accounts framework allows the capture of immigrants' production, income and expenditure. While there may be issues of under-recording, when activity is illegal or informal, the use of Supply-Use balancing to bring together the three approaches to GDP into a single measure of growth is thought to minimise the problem. Because data collection, estimation and reporting are not structured according to demographic groups, the national accounts framework does not however make it possible to identify the direct contribution of immigrants to the measured levels of economic activity.

## Section 1 Background

“Understanding the size and characteristics of the population and how it is changing is hugely important for society and the economy. It is essential to have relevant, accurate and timely migration and population statistics to provide the evidence base for managing the economy, developing policies and allocating resources for service delivery.....

For the last few years migration has been the main factor affecting population numbers in this country. However, there is now a broad recognition that available estimates of migrant numbers are inadequate to meet all the purposes for which they are now required. They are the weakest component in population estimates and projections in the United Kingdom, both nationally and at local level. They are much more difficult to measure accurately than births and deaths, the other major components of population change.”

Karen Dunnell in the Foreword to the Report of the Interdepartmental Task Force on Migration Statistics.

1. Measuring international migration is complex. To meet the key requirements for statistics, timely, accurate estimates are needed of the number of people coming into, going out of and present in the country for different durations and reasons (short and long term residence, seeking refuge, employment, study, etc). This cannot be achieved using a single source of information. For this reason, a range of indicators and data sources are needed to illuminate the different requirements. This submission aims to bring a number of these together to provide a coherent picture of how the number and characteristics of migrants are currently affecting the demography and economy of the UK. It then identifies the changes to statistical sources and methods that are needed to improve our understanding of the multi-faceted process that is migration.
2. As a preliminary, it is important to recognise the range of current sources of information on migration, how their coverage differs and their individual strengths and limitations. These are summarised below.

## Box 1.1: United Nations Definition of Migrants

### Long-term international migrant

The United Nations recommended definition of a long-term international migrant is:

*A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence. From the perspective of the country of departure the person will be a long-term emigrant and from that of the country of arrival the person will be a long-term immigrant.*

This 12-month migrant definition is used for the UK usually resident population estimate series.

### Short-term international migrant

The United Nations recommended definition of a short-term international migrant is:

*A person who moves to a country other than that of his or her usual residence for a period of at least 3 months but less than a year (12 months), except in cases where the movement to that country is for purposes of recreation, holiday, visits to friends and relatives, business, medical treatment or religious pilgrimage. For purposes of international migration statistics, the country of usual residence of short-term migrants is considered to be the country of destination during the period they spend in it.*

UK population estimates do not currently include short-term in-migrants as usually resident in the UK, nor do they exclude short-term out-migrants from the usually resident population.

## Total International Migration

3. Estimates of the total number of people entering or leaving the UK as long term migrants are produced by ONS using a combination of sources:
  - migration data from the International Passenger Survey (IPS);
  - visitor data from the IPS to estimate those people who initially come to or leave the UK for a period of less than 12 months, but subsequently stay for a year or longer (visitor switchers);
  - Home Office data on asylum seekers and their dependants;
  - estimates of migration between the UK and the Irish Republic.

## **International Passenger Survey**

4. This is a sample survey of passengers arriving at, and departing from, the main United Kingdom air and sea ports and the Channel Tunnel. Of those sampled, approximately 1 per cent were migrant interviews in years up to 2007, which amounted to around 3,000 interviews with migrants entering the country and 800 with those departing. From 2007, the number of interviews with departing migrants is being boosted to a comparable level to those on entry. Further details are given in Annex B.
5. In terms of measuring migration, the IPS has three main limitations:
  - it does not cover all types of migration (e.g. land routes between the UK and the Irish Republic, most asylum seekers and some dependants of asylum seekers)
  - as a sample survey, the estimates are subject to a degree of uncertainty
  - migration estimates are based on respondents' intentions, which may or may not accord with their final actions. Adjustments are required to account for those who change their intentions, known as 'switchers'.
6. While the IPS is the main source of migrant information data used in estimating Total International Migration, several other key sources are used in this submission. These are summarised below. Further details can be found in Annex B.

## **Labour Force Survey (LFS)**

7. The Labour Force Survey (LFS) is a quarterly household survey run by ONS, representative of the household population of the UK. The LFS collects a wide range of information including nationality and country of birth. The data can be used as an indicator of the non-British or foreign born migrant numbers in the UK. The population covered is all people resident in private households. This includes households in multi-occupied dwellings, but excludes most communal establishments (e.g. migrants in hostels, foreign students living in halls of residence). People who have not lived in the UK for six months are excluded.

## **National Insurance Number (NINo) Allocations**

8. National Insurance Numbers are issued to individuals over the age of 16 and are used to record a person's national insurance contributions and social security benefit claims. New numbers are issued to migrants including:
  - All non-UK born nationals aged 16 or over working, planning to work or claim benefits legally in the UK, regardless of how long individuals intend to stay.but excluding:

- Dependents of NI No applicants, unless they work or claim benefits;
  - Individuals from overseas not working, planning to work, or claim benefits - for example, this will include many students;
  - Migrants who are not of working age and not claiming benefits.
  - Those with an existing national insurance number, for example returning UK nationals;
9. The statistics are derived as a byproduct of an administrative system not designed primarily for statistical purposes. For this reason the statistics do not, for example, distinguish between short-term and long-term migration and hence do not match the UN definition of migration.

### **The Worker Registration Scheme (WRS)**

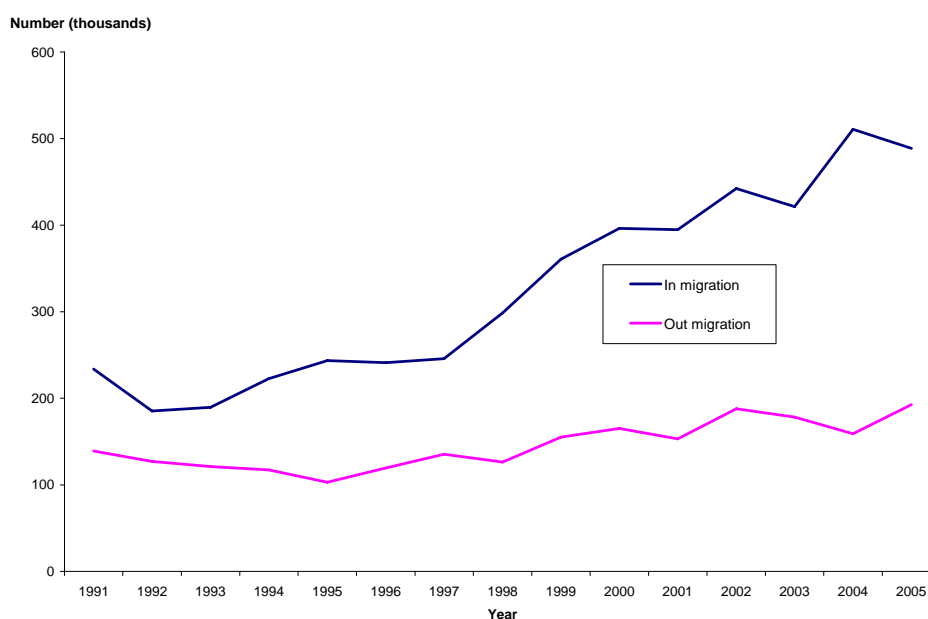
10. Following expansion of the European Union on 1<sup>st</sup> May 2004, the Government put in place transitional measures to regulate access to the labour market and to restrict access to benefits for nationals from new member states. Nationals of the A8 countries who wish to take up employment in the UK for a period of at least a month are generally required to register with the WRS.
11. The population covered on the WRS includes:
- Long-term international migrants from A8 countries working as employees in the UK;
  - Visitors and short term migrants from A8 countries, staying for over a month, and intending to work as employees in the UK;
  - Dependents of WRS applicants. It is likely that there is some double counting as dependents may also be registered in their own right on the WRS.
- but excludes::
- Migrants from A8 countries who are self employed;
  - A8 migrants staying for less than a month;
  - A8 migrants who migrate or visit the UK for reasons other than work, for example including potentially many students;
  - Migrants from non-A8 countries.

## Section 2 Numbers and characteristics of immigrants

*What numbers are relevant to the impact of recent immigration?*

1. According to UN statistics, 191 million people across the world were living abroad in 2005. Figures from the UK Census, in 2001, showed nearly 5 million UK residents born abroad. This represented 8 per cent of the population. By 2006, the Labour Force Survey (LFS) indicated that this proportion had risen to 10 per cent of the population. This growth provides one indicator of the effect of recent immigration on population numbers. However it should be recognised that this does not provide a direct measure of new arrivals, simply an indicator of net change in the foreign born resident population.
2. The latest available information showing the flow of foreign born long-term migrants into and out of the UK, based on the UN definition (see Box1.1) is for the calendar year 2005. Figures for foreign born migrants in 2006 will be published in Spring 2008. In the years 2001 to 2005, there were 2,258,000 foreign born arrivals into the UK for a year or more and 871,000 departures, indicating a net growth of foreign born residents of 1,387,000. The pattern of flows among UK-born residents over this period was very different. Around 897,000 left the country for a year or more and 394,000 returned, resulting in a net reduction in the UK born population of half a million in the years 2001 to 2005. For these reasons, the combined effect of migration among the foreign and UK born was to add 884,000 to the population in the five years to the end of 2005.
3. Trends in foreign born migration are shown in Figure 2.1. In 2005, there were 489,000 arrivals of foreign born migrants and 193,000 departures indicating a net growth of 296,000 in this population. Overall migration contributed 185,000 to UK population growth, as there was a net fall of 111,000 in the UK born population.

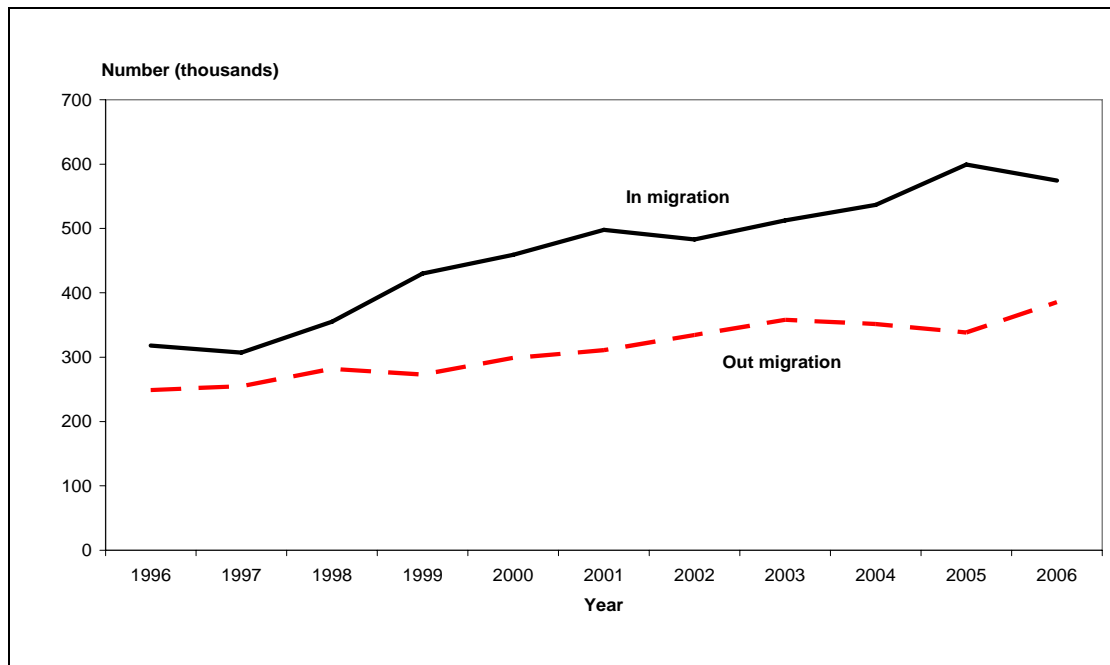
**Figure 2.1 Foreign born Total International Migration, 1991 to 2005**



*Latest figures to mid-2006*

4. More recent figures, to mid-2006, are available for the total numbers of international migrants, without any separation of UK and foreign born. For the three most recent years, these recent figures include a relatively small improvement in the way ONS takes account of those people whose intentions about length of stay change after entry. Between mid 2001 and mid 2006, these figures indicate that the contribution of long term migration to population growth was 939,000. Both in migration and out migration have increased since 2001. In the year to mid-2006, the flow of long-term migrants into the UK was 574,000 and the outflow was 385,000. The figures for the three years from mid 2003 to mid 2006 were higher than those seen in any earlier years since current methods for estimating migration were introduced in 1991 (see Figure 2.2)

**Figure 2.2: UK Total International Migration, mid-1996 to mid-2006**



Source: Office for National Statistics: Registrar General's mid-2006 Population Estimates News Release, 22 August 2007

*Citizenship*

5. Table 2.1 shows the distribution by citizenship, as distinct from country of birth. In the year to mid-2006, there were 468,000 non-British migrants (compared to 505,000 in the year to mid-2005 and 433,000 in the year to mid-2004). Of these, citizens from the eight central and eastern European countries that acceded to the EU on 1 May 2004 (known as the A8) comprised 74,000 in the year to mid-2006, 77,000 to mid-2005 and 20,000 to mid-2004 (the year prior to accession). This change in flows is illustrated in the half-yearly figures for EU citizens shown in Table 2.2.

Table 2.1

**Table: Total International Migration, mid-year estimates<sup>1</sup>: Citizenship, 2003-04, 2004-05 and 2005-06**

	United Kingdom thousands										
	All citizenships	British	Non- British	European Union <sup>2</sup>				Commonwealth			Other foreign <sup>6</sup>
				EU15	A10 <sup>3</sup>	A8	EU25 <sup>4</sup>	All	Old	New <sup>5</sup>	
<b>Inflow</b>											
2003-04 <sup>7</sup>	526	93	433	67	21	20	82	195	70	125	155
2004-05	593	87	505	68	78	77	146	202	69	133	157
2005-06 <sup>8</sup>	559	91	468	73	76	74	149	179	58	121	140
<b>Outflow</b>											
2003-04 <sup>7</sup>	353	195	158	37	11	10	40	57	39	18	61
2004-05	334	188	146	37	4	3	42	58	35	23	47
2005-06 <sup>8</sup>	383	196	187	45	17	16	62	60	38	22	65
<b>Balance</b>											
2003-04 <sup>7</sup>	+173	-101	+275	+30	+11	+9	+42	+138	+30	+108	+95
2004-05	+258	-101	+359	+30	+74	+74	+104	+144	+34	+110	+110
2005-06 <sup>8</sup>	+176	-105	+281	+28	+59	+57	+87	+119	+20	+99	+75

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*Source: Office for National Statistics: Registrar General's mid-2006 Population Estimates  
News Release, 22 August 2007*

<sup>1</sup> Based mainly on data from the International Passenger Survey. Includes adjustments for (1) those whose intended length of stay changes so that their migrant status changes (or 'switchers'); (2) asylum seekers and their dependants not identified by the IPS (AS); and (3) flows between the UK and the Republic of Ireland.

The estimates of total international migration for the UK shown in this table differ from the international migration component of change for the UK. This is due to a slightly different methodology being used in Scotland and Northern Ireland to estimate international migration for the purposes of population estimation.

<sup>2</sup> European Union estimates are shown for the EU15 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, the Irish Republic, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden), the A10 (Malta and Cyprus plus the A8), the A8 (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) and EU 25 (EU15 and A10 groupings). British citizens are excluded from all groupings and shown separately. These estimates do not include the 2 new member states admitted to the EU in January 2007. These will be included in the 2007 international migration estimates.

<sup>3</sup> The A10 estimates for the second half of 2003 are also included in the New Commonwealth and Other Foreign columns.

<sup>4</sup> The EU25 estimate for 2003-04 comprises EU15 for the second half of 2003, EU25 for the first half of 2004.

<sup>5</sup> For 2004 onwards, the New Commonwealth excludes Malta and Cyprus, these are included for the second half of 2003.

<sup>6</sup> 'Other foreign' are all citizenships that are not part of the EU or the Commonwealth groupings. For 2004 onwards, Other foreign excludes the eight Central and Eastern European member states that joined the EU in May 2004. These are included for the second half of 2003.

<sup>7</sup> A new assumption for the proportion of visitors and migrants assuming to 'switch' categories was introduced in 2004. Therefore, the 2003-04 year uses the previous assumption for the second half of 2003.

<sup>8</sup> The 2005-06 estimates may change as they include provisional estimates for the first half of 2006.

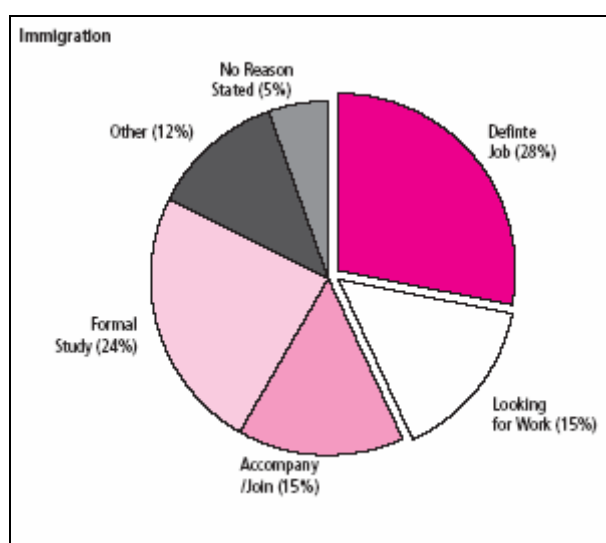
**Table 2.2 : Total International Migration, half year estimates<sup>1</sup> by EU citizenship, 2004 to mid-2006**

Citizenship	United Kingdom Thousands				
	2004		2005		2006
	January-June	July-December	January-June	July-December	January-June
EU25	45	83	63	86	62
EU15	30	45	23	46	27
A8	15	38	39	38	36

a. Source: Office for National Statistics

6. The latest available information showing details of reason for visit, age, gender of those entering the country is for the calendar year 2005. Equivalent detailed information for 2006 will be published in Spring 2008, although total numbers with limited detail (e.g. citizenship and region) will be published in November 2007.
7. Overall, nearly half of all citizens migrating to the UK gave work-related reasons (see Figure 2.3). 'Formal study' is another important reason for people migrating to the UK, accounting for almost a quarter of all immigration in 2005. Almost 85 per cent of those A8 citizens migrating to the UK in 2005 came for work reasons, that is, they were 'looking for work' or had a 'definite job' to go to.

**Figure 2.3 : Total international in-migration by reason for visit, 2005**



Source: Office for National Statistics: International Migration, Series MN no 32

8. The number of immigrants who were in manual and clerical occupations prior to migration has risen faster than other groups over the last five years (from 91,000 in 2001 to 147,000 in 2005), to comprise around a quarter of migrants in 2005 compared to around one fifth in 2001. In both years, professional and managerial occupations accounted for about a third and students about quarter. The remainder were children and adults with no usual occupation.

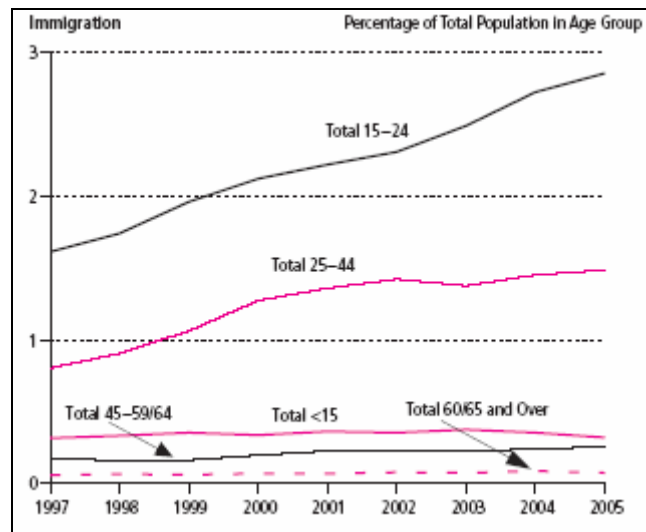
<sup>1</sup> Half year estimates add to the mid-year estimates

Both the number and proportion in these groups fell slightly over the five years.

### Age distribution

9. The age distribution of migrants differs quite considerably from the population as a whole. Around 40 per cent of long term migrants to the UK in 2005 were aged 15 to 24, compared to 13 per cent for the UK population as a whole. Corresponding figures at ages 25-44 were 48 per cent and 29 per cent. A smaller percentage of migrants were aged under 15 (5 per cent, compared to 18 per cent) or 45 or over (7 per cent compared to 40 per cent). There was an increase in immigrants aged 15-44, as a percentage of total UK population, between 1997 and 2005 (Figure 2.4).

**Figure 2.4 : Smoothed total international migration estimates by broad age group as a percentage of the total UK population (for each age group)**



Source: Office for National Statistics: *International Migration*, Series MN no 32

10. Statistics on overseas nationals allocated a National Insurance number (NiNO) and entering the UK in 2005/6, show that 41 per cent were aged 18-24 and a similar percentage were aged 25-34 (Table 2.3). Males (55 per cent) outnumbered females (45 per cent). This gender difference was evident at ages 25 and over, but not at younger ages.. At ages under 18, those in full time education are excluded from figures based on NiNOs.

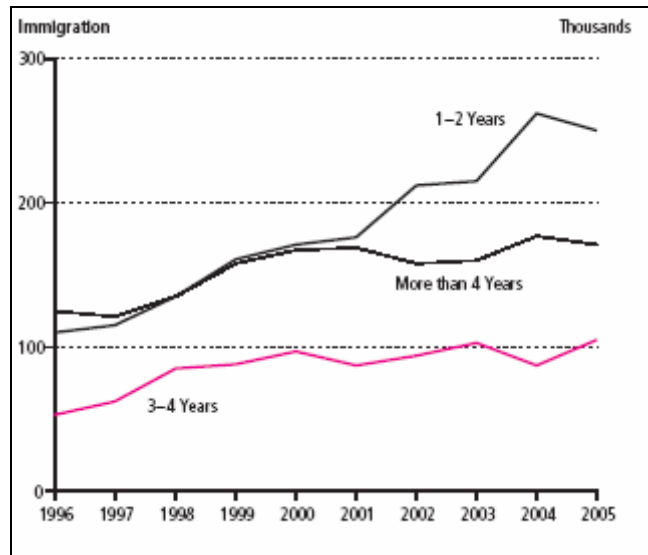
**Table 2.3 Overseas Nationals entering the UK in 2005/06 and allocated a Nino by age and gender**

	All	Male	Female
All	100%	55%	45%
<18	1%	1%	1%
18-24	41%	21%	21%
25-34	41%	23%	17%
35-44	11%	7%	4%
45-54	5%	3%	2%
55-59	1%	-	-
60+	-	-	-

Source: 100% extract from National Insurance Recording System at 14<sup>th</sup> May 2007.  
 Percentages are rounded to the nearest per cent and may not sum due to rounding.  
 Arrivals figures subject to change as some migrants may take several months or years between arrival and NINo application/registration.

'-' denotes nil or negligible.

**Figure 2.5: Total international in-migration by intended length of stay, 2005**



Source: for National Statistics: International Migration, Series MN no 32

11. An estimated 44 per cent of these new immigrants in 2005 intended to stay in the UK for 1-2 years, 19 per cent for 3-4 years and 30 per cent for more than 4 years (7 per cent were not sure). Figure 2.5 shows that the main increase since 2001 has been in those intending to stay for 1-2 years.

## Regions

12. Over the five year period mid 2001 to mid 2006, migration contributed to population growth in every region (Table 2.4). London received the largest number of international migrants (892,000), but also had the largest number of residents going abroad (491,000). As a result, migration contributed 401,000 to population growth in London.

**Table 2.4 International migration: Government Office Region of destination and departure in England, mid 2001 to mid 2006**

Region	Thousands		
	In Migration	Out Migration	Net Migration
England	2,445	1,554	891
North East	61	48	13
North West	196	148	48
Yorkshire and the Humber	213	104	109
East Midlands	151	87	64
West Midlands	166	105	61
East of England	221	154	67
London	892	491	401
South East	361	271	90
South West	184	147	37

Source: Office for National Statistics

13. Many local areas experience both high levels of in migration and high levels of out migration. For this reason, growth due to migration may understate the volume of change experienced in an area. Table 2.5 shows local areas where the combined level of in and out migration was high.

**Table 2.5 Local authority areas with the highest volume of international migration per 1,000 population**

Area	Mid-2001 to mid-2006				Volume of migration per 1,000 population <sup>1</sup>	
	Internal Migration		International Migration		All migration	International migration
	In	Out	In	Out		
Westminster	88,700	95,200	65,700	37,700	259	<b>93</b>
Kensington and Chelsea	48,200	59,200	49,400	29,100	217	<b>91</b>
Cambridge	54,100	57,900	28,500	18,200	278	<b>82</b>
City of London <sup>2</sup>	3,900	3,600	1,500	1,500	276	<b>78</b>
Camden	86,200	96,900	53,400	25,800	243	<b>73</b>
Oxford	66,000	70,800	31,900	17,000	258	<b>68</b>
Hammersmith and Fulham	66,900	83,200	33,200	22,900	242	<b>66</b>
Islington	77,300	90,200	29,000	17,200	234	<b>51</b>
Brent	71,100	109,200	46,900	20,300	184	<b>50</b>
Wandsworth	123,400	142,300	40,800	27,300	243	<b>50</b>

Notes

1. Volume of migration per 1,000 population is calculated separately for all migration and international migration as (in migration + out migration)/population\*1000.

2. Rates for the City of London and Isles of Scilly are based on less than 10,000 population.

- Nil or less than half the final digit shown

*Source: Office for National Statistics*

14. Table 2.6 shows NINo registrations by Government Office Region in 2006/7 and indicates how many of these were from people coming from the top ten countries of origin. London accounted for the largest number of registrations (244, 020 out of 713,450 for the UK as a whole), of which 43, 420 were to those originating from Poland.

**Table 2.6 National Insurance Number Registrations in respect of non-UK Nationals in 2006/07 by Government Office Region and top ten countries of origin**

Government Office Region	All countries	Top ten countries									
		Poland	India	Slovak Rep	Pakistan	Australia	Rep of Lithuania	France	South Africa	Germany	
All registrations	713,450	222,760	49,330	28,840	25,320	24,400	24,110	20,230	16,920	15,240	
North East	13,270	4,120	1,680	300	430	190	230	290	140	230	
North West	51,550	20,190	3,100	2,660	3,460	710	1,050	840	650	860	
Yorkshire and the Humber	41,640	16,390	2,260	2,750	3,310	480	1,160	580	520	490	
East Midlands	41,000	18,190	3,280	2,240	890	390	1,800	530	620	520	
West Midlands	48,000	18,600	4,140	2,830	3,010	430	1,070	830	550	740	
East of England	53,370	19,840	3,360	2,570	1,390	920	3,120	990	1,190	940	
London	244,090	43,420	18,550	4,910	8,800	15,000	8,330	10,640	7,830	6,510	
South East	80,130	24,400	5,340	3,520	2,120	2,110	1,930	2,160	2,900	1,980	
South West	41,710	17,560	1,920	2,080	330	910	1,090	910	950	870	
Wales	17,020	6,780	1,400	910	350	260	400	320	180	290	
Scotland	52,460	23,140	3,460	1,730	1,180	1,690	1,070	1,160	770	990	
Northern Ireland	19,610	8,900	520	1,810	40	170	2,560	210	110	150	
Overseas Residents	9,590	1,230	350	540	10	1,140	300	800	520	680	

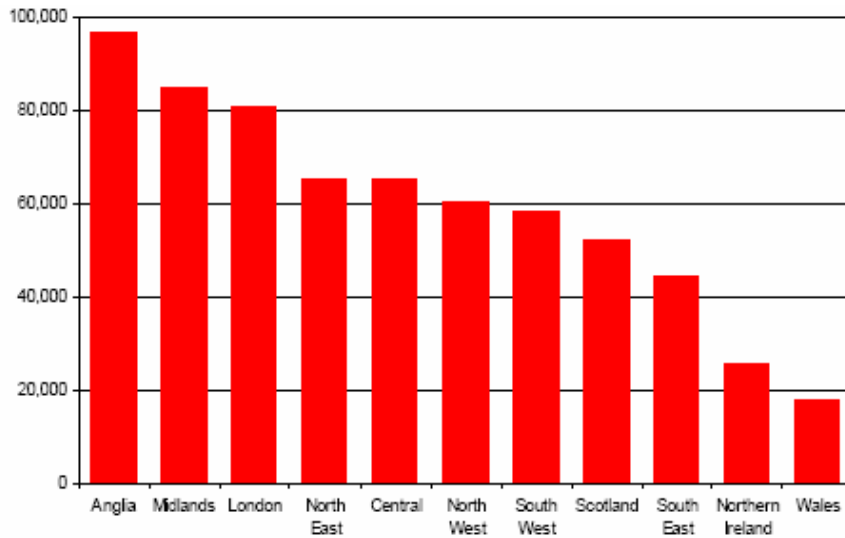
**Notes:**

1. Numbers are rounded to the nearest ten.
2. Totals may not sum due to rounding.
3. Numbers are based on 100% data from the National Insurance Recording System (NIRS).
4. Government Office Region is assigned by matching postcodes against the relevant postcode directory.
5. Government Office Region counts are based on the most recently recorded address of the NINO recipient.
6. '-' denotes nil or negligible.
7. Overseas Residents - Foreign nationals who have registered for a NINO but reside abroad.
8. 2,260 cases are recorded as from countries which have dissolved (USSR, Czechoslovakia, Yugoslavia). These have been allocated pro-rata to their successor countries.
9. 450 cases had no country of origin recorded and are labelled "Not Specified".

**Source:**

100% sample at 14 May 2007 from the National Insurance Recording System (NIRS).

**Figure 2.6 Geographical distribution of employers of workers registered on the Worker Registration Scheme, May 2004-June 2007**



*Source: Accession monitoring report*

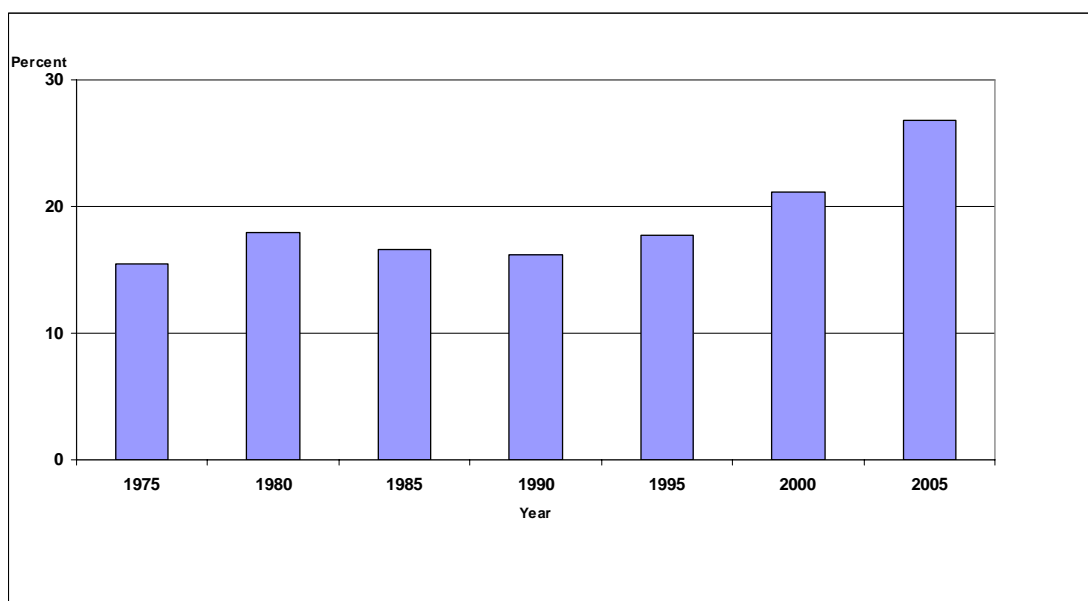
[www.ind.homeoffice.gov.uk/aboutus/reports/accession\\_monitoring\\_report](http://www.ind.homeoffice.gov.uk/aboutus/reports/accession_monitoring_report)

- Information on the regional distribution of employers of workers from the A8 countries, based on the Worker Registration Scheme, show a different pattern to that of all migrants (Figure 2.6). Between May 2004 and June 2007, Anglia had the greatest number of workers registering with employers in the area (15 per cent of the total). This was followed by the Midlands and London (13 and 12 per cent, respectively).

## Births to migrants

16. The concentration of migrants in the 25 to 44 age group along with the cumulative growth in numbers born abroad have contributed to an increased proportion of births where one or more parents was born abroad. The figure for England and Wales was 21 per cent in 2000 and rose to 27 per cent in 2005 (Figure 2.7). The latest figure, for 2006, is 28 per cent. By comparison, the figure in 1975 was 15 per cent.

**Figure 2.7 Percent of live births to a foreign born mother or father, England and Wales, 1975- 2005**



17. One of the factors contributing to the numbers of births to foreign mothers is the different levels of fertility between UK and foreign born. In both 2002 and 2008, the fertility rate for foreign born was 0.8 higher than for UK born (Table 2.7). Both groups experienced an increase in fertility rates between the two years

**Table 2.7 Estimated total fertility rates by mother's country of birth, England and Wales**

Place of birth of mother	Year	
	2002	2005
All mothers	1.6	1.8
UK born	1.5	1.7
Foreign born	2.3	2.5

*Uses LFS populations by country of birth and birth registration data for E&W, 2002/6*

*Source: Office for National Statistics*

## Section 3 Population projections and migration

1. National population projections are based on existing population estimates and trend-based assumptions about fertility, mortality and migration. Currently available figures are 2004-based and were prepared by the Government Actuary's Department. They include both principal projections, using a set of central assumptions, and variants that make use of a range of high and low assumptions. New 2006-based projections will be published by ONS on 23 October. The assumptions to be used in producing these were published on 27 September<sup>2</sup>.
2. For the 2006-based projections, the new long-term assumption for net migration to the United Kingdom is a net inflow of 190,000 each year, compared with 145,000 a year in the previous projections (Table 3.1). It must be stressed that these assumptions about future migration, along with others in this section, are based on past trends and are not forecasts. The increase in the assumption is partly due to taking account of data for two new years (2004 and 2005) where net migration to the UK has been at record levels, and partly because of the impact of methodological changes following recent announcements of improvements to the estimation of international migration.<sup>3</sup> These methodological improvements also affect the assumed distribution of international migration between the countries of the UK.

**Table 3.1 Long-term assumptions for the 2006-based national population projections compared with assumptions for the 2004-based projections.**

		United Kingdom	England	Wales	Scotland	Northern Ireland
Fertility - Long-term average number of children per woman						
	2006-based	1.84	1.85	1.85	1.65	1.95
	2004-based	1.74	1.75	1.75	1.60	1.80
Mortality - Expectation of life in 2031*						
Males	2006-based	82.7 <sup>P</sup>	83.0 <sup>P</sup>	82.5 <sup>P</sup>	80.5 <sup>P</sup>	82.3 <sup>P</sup>
	2004-based	81.4	81.6	81.1	79.2	81.0
Females	2006-based	86.2 <sup>P</sup>	86.4 <sup>P</sup>	86.0 <sup>P</sup>	84.9 <sup>P</sup>	86.1 <sup>P</sup>
	2004-based	85.0	85.2	84.8	83.7	84.9
Net migration** - Annual long-term assumptions						
	2006-based	+190,000	+171,500	+9,500	+8,500	+500
	2004-based	+145,000	+130,000	+11,500	+4,000	-500

\* Expectations of life for 25 years ahead given as specimen year. Note these are *period* expectations of life based on the mortality rates assumed for the year 2031 and do not take account of the continuing improvement in mortality projected beyond 2031.

Cohort life expectancies in the 2006-based projections, allowing for the assumed further mortality improvement, will be about 8.7 years higher for a boy born in the UK in 2031 and about 8.0 years higher for a girl born in 2031 than the period figures shown in the table

\*\* Net migration includes international migration and cross-border migration between the countries of the UK.

<sup>P</sup> Provisional

<sup>2</sup> See Population Trends 129

(<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=6303&Pos=&ColRank=1&Rank=422>)

<sup>3</sup> See <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14834>

3. The long-term assumption of average family size has been raised for the UK to 1.84 children per woman, an increase of 0.10 compared with the 2004-based projections. The long-term UK fertility assumption in official national projections has been lowered on a number of occasions since the 1960s baby boom,<sup>4</sup> but this is the first time it has been increased during that period. This follows several years of increasing fertility rates in all four countries of the UK.
4. The 2004-based projections indicated that the population of the UK is expected to continue to grow, driven by positive natural change (more births than deaths) and net in-migration. However, the key demographic challenge for the UK in the years ahead will be population ageing. Based on these projections, the proportion of the population that is aged over 65 is expected to rise from 16 per cent in 2007 to 21 per cent in 2027, and then to 26 per cent by 2057<sup>5</sup>, due to continued increases in life expectancy and the ageing of the post-WW2 baby boomers.
5. A simple measure of demographic pressures associated with population ageing is provided by the dependency ratio. This calculates the ratio of dependents (children and those of state pension age) to those of working age. Under the Government Actuary's Department's 2004-based principal population projections, this dependency ratio rose from 61 per cent in 2007 to 63 per cent in 2027, and then to 74 per cent by 2057<sup>6</sup>. These figures assumed positive long-term net migration to the UK of 145,000 per annum.
6. If it is instead assumed that there is zero net migration, the dependency ratio would be slightly higher at 66 per cent in 2027, but would rise to 83 per cent by 2057. This is because migrants into the UK are predominantly adults of young working age.
7. In addition, the published dependency ratios from the new projections will take account of the Pensions Bill 2007, which has recently become law. This will raise the state pension age, in three stages, to 68 for both sexes by 2046. However, since work on the new projections is not complete, the current submission is based on the 2004-based projections.

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<sup>4</sup> See *Population Trends 128*, page 13.

<sup>5</sup> The figures in this section are based on the Government Actuary's Department's 2004-based Principal projections, available at <http://www.gad.gov.uk/Population/index.asp?v=Principal&y=2004&subYear=Continue>

<sup>6</sup> The figure for 2007 is based on current state pension age (SPA) of 65 for men and 60 for women and the figures for 2027 and 2057 are based on a common SPA of 65 for both sexes. Under the provisions of the Pensions Bill 2007, SPA will be 66 for both sexes by 2027, and 68 for both sexes by 2057. This would decrease the dependency ratios at 2027 and 2057 to 60% and 64% respectively.

8. As part of their 2004-based work, GAD also produced a range of other variant scenarios using different combinations of assumptions about fertility, life expectancy and net migration, which can be compared to see how each affects the resulting dependency ratios. These assumptions, along with those dependency ratios, are shown in Table 3.2.

**Table 3.2: Dependency ratio projections under varying population assumptions**

	Assumptions			Dependency Ratio, %						
	Fertility	Life Expectancy	Long-Term Net Migration (000s pa)	2007	2017	2027	2044	2056	2066	2074
Principal Scenario	Principal	Principal	145	61	60	63	70	74	76	76
Zero Migration	Principal	Principal	0	62	61	66	78	82	84	86
High Medium-Term Dependency	High	High	85	61	63	68	76	N/A	N/A	N/A
Low Medium-Term Dependency	Low	Low	205	61	57	59	63	N/A	N/A	N/A
Young	High	Low	205	61	61	64	67	68	67	66
Low Migration	Principal	Principal	85	61	60	64	72	75	77	78
High Migration	Principal	Principal	205	61	59	63	68	72	74	75
High Fertility	High	Principal	145	61	62	66	71	74	74	74
High Population	High	High	205	61	62	66	73	78	80	81

9. For example, the Low Migration and High Migration scenarios demonstrate the effects of varying the migration assumption whilst holding fertility and life expectancy at their central levels. In both cases, the resulting dependency ratio is little different to that produced by the Principal scenario. Combining higher fertility rates with central life expectancy and migration has a slightly bigger impact on dependency ratios in the long term.

*How confident can we be in assumptions about migration?*

10. Migration is the most difficult component of population change to estimate accurately. It is also by far the most difficult component to forecast as migration flows are influenced by a range of socio-economic and political circumstances in sending and receiving countries, many of which will be difficult or even impossible to predict.
11. One recent analysis of the accuracy of UK national population projections<sup>7</sup> found that the mean absolute error in assumptions of net migration to the UK has been around 60,000 ten years ahead and 100,000 after twenty years. A separate analysis<sup>8</sup> suggests that the accuracy of UK migration forecasts has been around the European average.
12. However, while these total migration errors are sizeable, their impact is spread across a range of ages. Many users of population projections are, of course, more concerned about the size of the population in specific age groups than with the size of the total population. And here, the analysis of

<sup>7</sup> Shaw C. Fifty years of United Kingdom national population projections: how accurate have they been? Population Trends 128

<sup>8</sup> Keilman N. UK national population projections in perspective: how successful compared to those in other European countries? Population Trends 129

past UK projections<sup>7</sup> showed that, in the short to medium-term, projections of the working age population (where migration is the main uncertainty) are far more accurate than those for the very youngest and oldest age groups. For example, errors in projections of the population aged 20-64 ten years ahead have averaged around 1 to 2 per cent compared with errors of around 10 per cent for the 0-4 or 85+ age-groups.

## Section 4 Employment of immigrants

1. The analysis below draws heavily on the Labour Force Survey (LFS). It should be noted that the LFS figures on the foreign-born population do not match the UN definition of 'long-term international migration' in Box 1.1 (see Annex B). They cover the foreign-born household population, irrespective of year of arrival. Also they do not cover certain short-term migrants and those living in communal establishments. One consequence of the latter point is that the number of foreign-born workers in sectors such as construction and agriculture may be under-reported.

*In what sectors and occupations are immigrants employed?*

2. A significant proportion of foreign-born are working in the public administration, education & health (32 per cent), distribution, hotels & restaurants (21 per cent) and banking, finance & insurance (20 per cent) sectors (Table 4.1). A8 foreign-born are particularly concentrated in the distribution, hotels & restaurants (24 per cent), manufacturing (21 per cent) and construction (14 per cent) sectors.

**Table 4.1: Percentage of foreign-born and UK-born working in each industrial sector, 2006**

<b>Industrial Sector</b>	<b>UK-born</b>	<b>A8 foreign-born</b>	<b>Other foreign-born</b>
	Per cent	Per cent	Per cent
Agriculture & fishing	1	1	-
Energy & water	1	-	*
Manufacturing	13	21	10
Construction	9	14	3
Distribution, hotels & restaurants	19	24	21
Transport & communication	7	10	7
Banking, finance & insurance	16	12	20
Public admin, education & health	29	11	32
Other services	6	8	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: A four-quarterly average is used, LFS Q1 to Q4 2006*

*\*Denotes where sample size is too small to report a robust estimate*

*- Less than 0.5 per cent*

*Totals may not sum due to rounding*

3. A large proportion of the foreign-born (49 per cent) work in higher skilled occupations, while only around 12 per cent work in elementary occupations (Table 4.2). The majority of A8 foreign-born work in elementary occupations (38 per cent), as process, plant and machine operatives (16 per cent) and skilled trade occupations (15 per cent).

**Table 4.2: Percentage of foreign-born and UK-born in each occupational group, 2006**

<b>Occupational Group</b>	<b>UK-born</b>	<b>A8 foreign-born</b>	<b>Other foreign-born</b>
	Per cent	Per cent	Per cent
Managers and Senior Officials	15	4	16
Professional occupations	13	5	18
Associate Professional and Technical	14	4	15
Administrative and Secretarial	12	5	9
Skilled Trades Occupations	12	15	8
Personal Service Occupations	8	9	8
Sales and Customer Service Occupations	8	4	7
Process, Plant and Machine Operatives	8	16	7
Elementary Occupations	11	38	13
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: A four-quarterly average is used, LFS Q1 to Q4 2006*

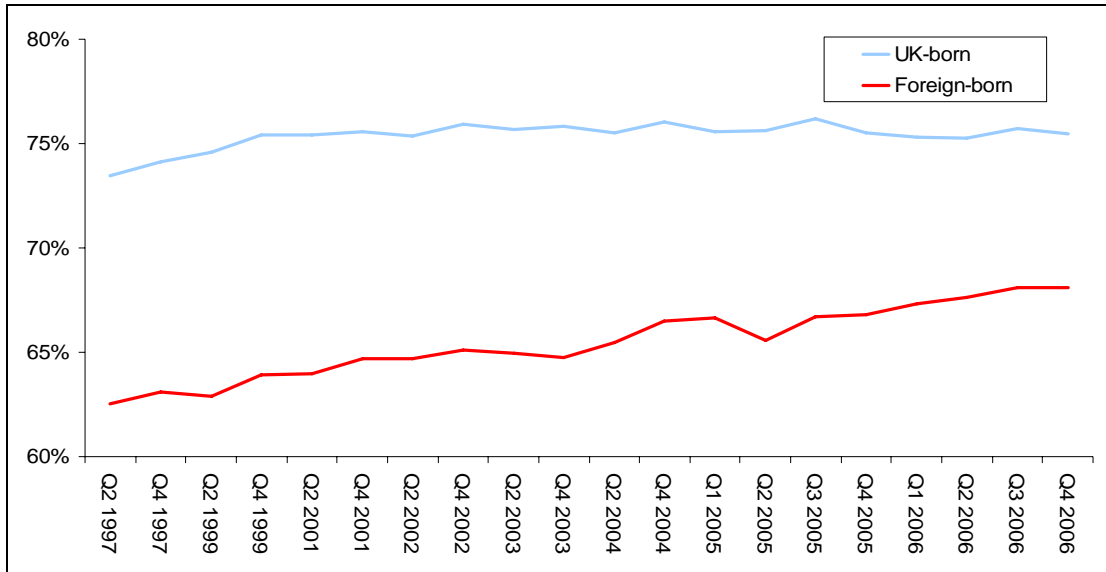
*\*Denotes where sample size is too small to report a robust estimate*

*Totals may not sum due to rounding*

*How do immigrants' labour market outcomes – including their employment rates and earnings – compare to those of local workers?*

4. The Labour Force Survey shows that both UK and foreign-born employment has risen in the UK over the last ten years. The UK employment rate rose until 2001 and has remained at around 75 per cent for the last five years. The overall foreign-born employment rate has improved to reach 68 per cent, closing the 'UK born/migrant employment rate gap' from 10 percentage points in 1997 to 7 percentage points in 2006 (Figure 4.1). The employment rate of the foreign-born has increased as more migrants appear to be coming to the UK for work-related purposes than in the past. These figures are based on the standard definition of the employment rate (employment as a proportion of the *working age* population). It is worth noting that employment as a proportion of the *total* population is higher for the foreign-born than for the UK-born (54 per cent against 48 per cent in the final quarter of 2006), due to the different age profile of migrants.

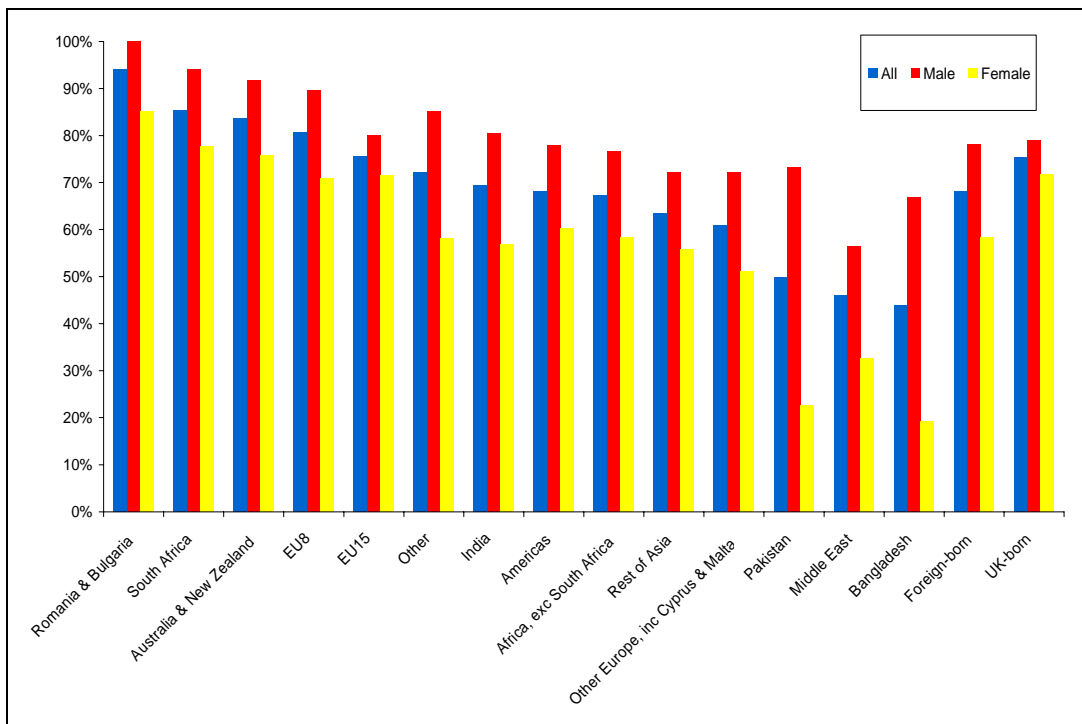
**Figure 4.1: UK and foreign-born employment rates, Q2 1997 to Q4 2006**



Source: Labour Force Survey

5. The current foreign-born employment rate of 68 per cent hides a large variation in labour market outcomes for those from different country groups (Figure 4.2).

**Figure 4.2: Male and female employment rates by country of origin, Q4 2006**



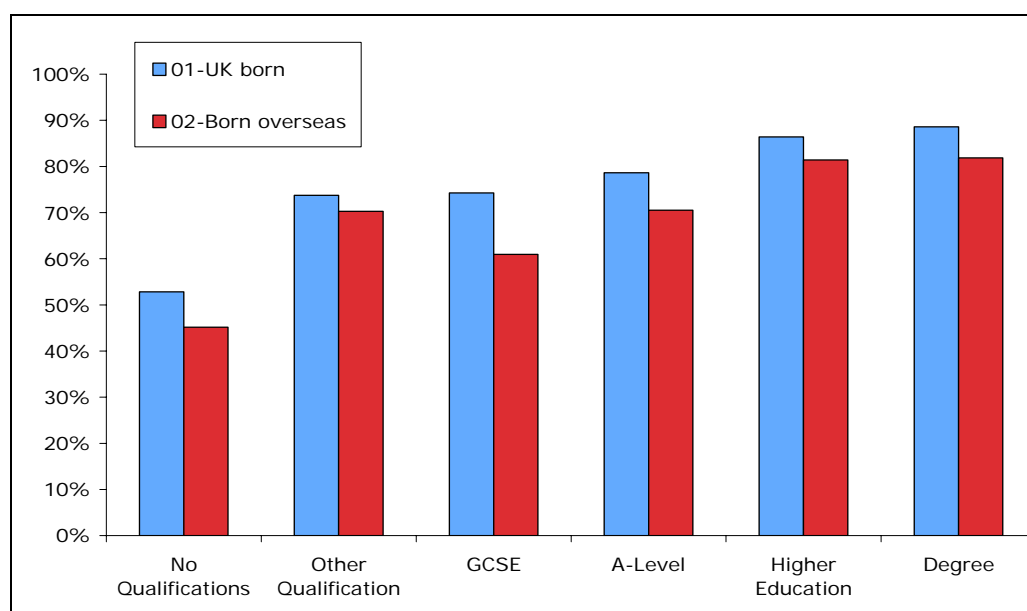
1. Source: Labour Force Survey

6. Foreign-born men compare quite well to UK men in employment outcomes, with the exception of those from the Middle East who have an employment rate of 56 per cent, 23 percentage points lower than UK men (79 per cent). Further research is needed to understand the reasons for these differences, but one

possibility is that different groups have different reasons for coming to the UK. Certain groups may predominantly come to the UK to seek work. Others may come for non-work reasons, for example due to family considerations, lifestyle factors, or to escape from poverty or instability in their country of origin.

7. Employment outcomes for foreign-born women are worse than those for UK-born women. This is particularly true for Pakistani women (who have an employment rate of 23 per cent, 50 percentage points lower than UK women) and for Bangladeshi women (who have an employment rate of 19 per cent). This difference could arise for a combination of factors, such as English language ability and cultural differences.
8. The approximate 50:50 gender split of the foreign-born UK working age population means that low female employment rates in most migrant groups significantly reduce overall employment rates. For example, the employment rate for Pakistani men is 6 percentage points lower than for UK men, but the female rate is 50 percentage points lower than for UK females, resulting in the overall Pakistani employment rate being 26 percentage points lower than for all UK born.
9. Compared to the UK born employment rate of 76 per cent, foreign-born from Romania & Bulgaria (94 per cent), South Africa (85 per cent), Australia and New Zealand (84 per cent), the A8 countries (81 per cent) and EU15 countries (76 per cent) have higher employment rates than UK born workers.
10. The employment rate of foreign-born is lower than for UK-born at all levels of education, although the size of the gap falls as the level of education rises (Figure 4.3).

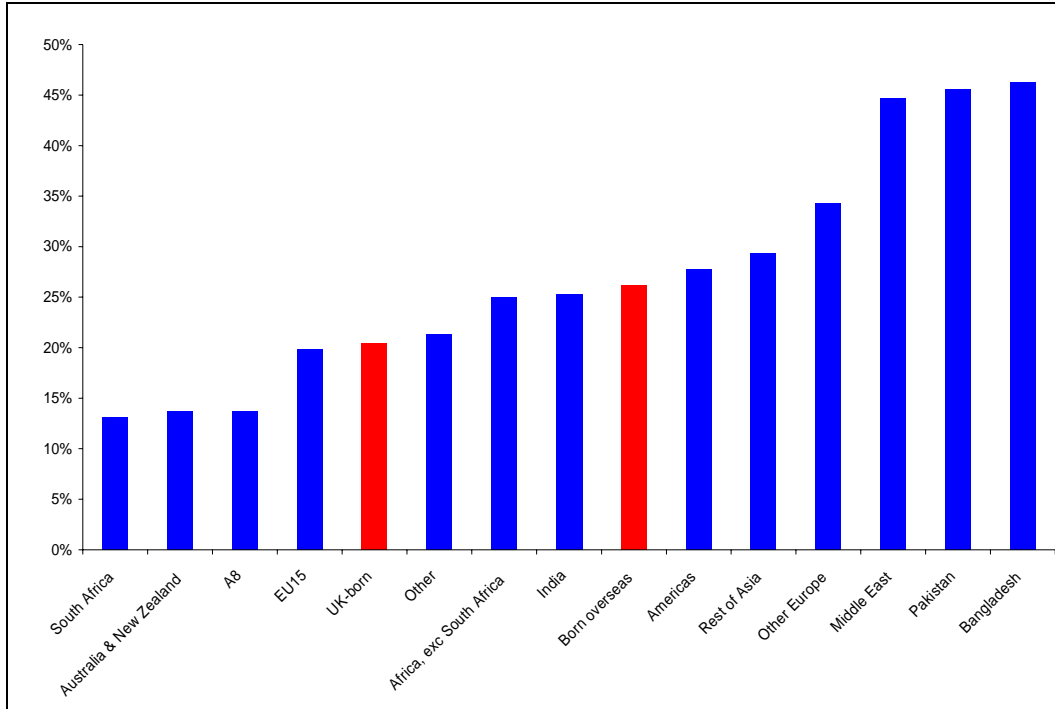
**Figure 4.3: Employment rates by level of education, Q4 2006**



*Source: Labour Force Survey*

11. The proportion who were economically inactive, in the final quarter of 2006, was 14 per cent of the working age population born in A8 countries and 20 per cent amongst those born in the UK and other EU countries (Figure 4.4) . The equivalent figure for all overseas-born was 26 per cent.

**Figure 4.4: Proportion of working age population<sup>9</sup> that are economically inactive, Q4 2006**

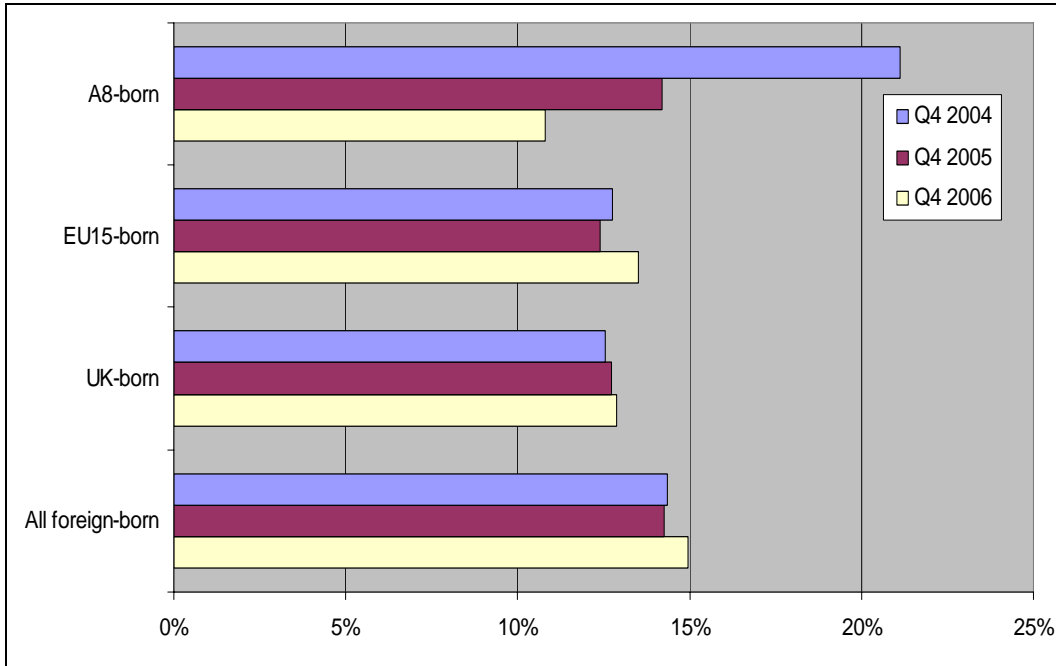


Source: Labour Force Survey

<sup>9</sup> Males and females

12. Overall (Figure 4.5), all foreign-born have a similar **self employment rate** (15 per cent) to the UK born (13 per cent). Some migrant groups such as those from Romania & Bulgaria (55 per cent), Pakistan (30 per cent) and the Middle East (24 per cent) have above-average proportions of employed workers in self-employment. A8 foreign-born are notable because the proportion in employment that are self-employed has fallen over the last three years from over 21 per cent in the final quarter of 2004 to about 11 per cent in the same quarter of 2006.

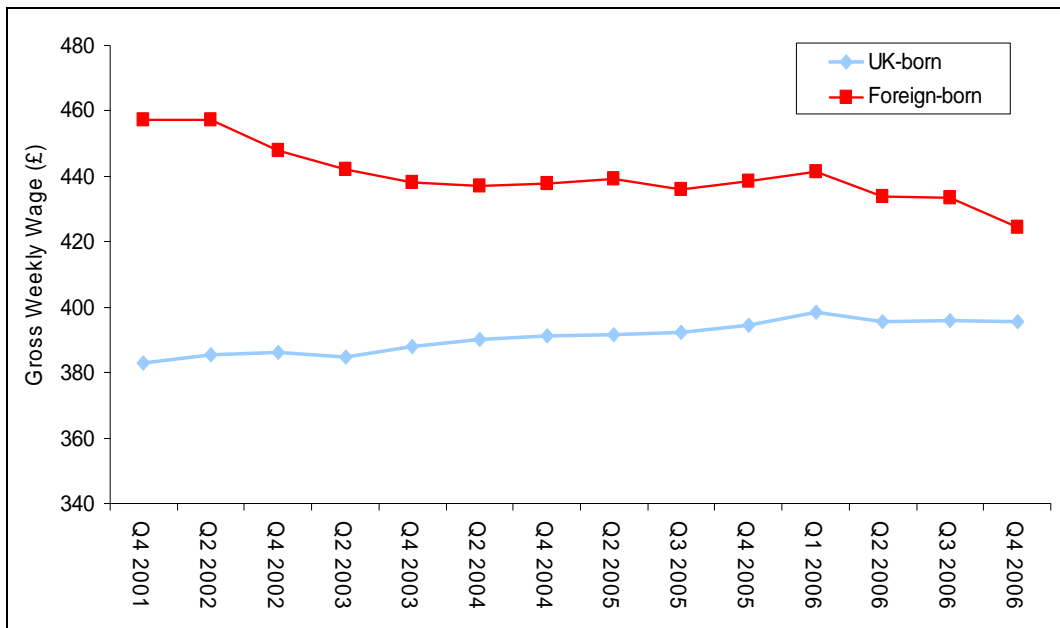
**Figure 4.5: Proportion of those in employment that were self-employed, Q4 2004 to Q4 2006**



i. Source: Labour Force Survey

13. Since 2001, average UK-born wage levels have steadily risen while average foreign-born wages have fallen, causing the weekly wage gap to fall from £76 in 2001 to £28 in 2006 (Figure 4.6) This apparent fall in wages amongst foreign-born workers is a composition effect. Over time, the proportion of foreign-born workers from EU15 countries (who tend to be found in well-paid jobs) has fallen, whilst the proportion from other countries (many of whom are found in less well-paid jobs) has risen. In the last three years, the proportion of foreign-born workers from the A8 countries (who typically take low-paid jobs) has increased significantly. Overall, there are now a greater proportion of foreign-born workers in low-paid jobs than five years ago, and so the average wage for foreign-born workers has decreased.

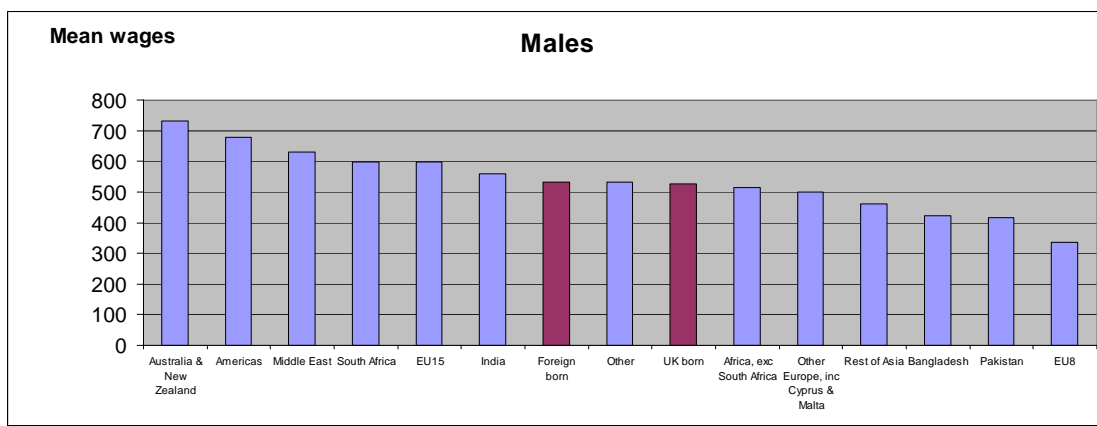
**Figure 4.6: Mean Gross weekly wage of foreign-born and UK-born, 2001-2006, Q4 2007 prices**



Source: Labour Force Survey

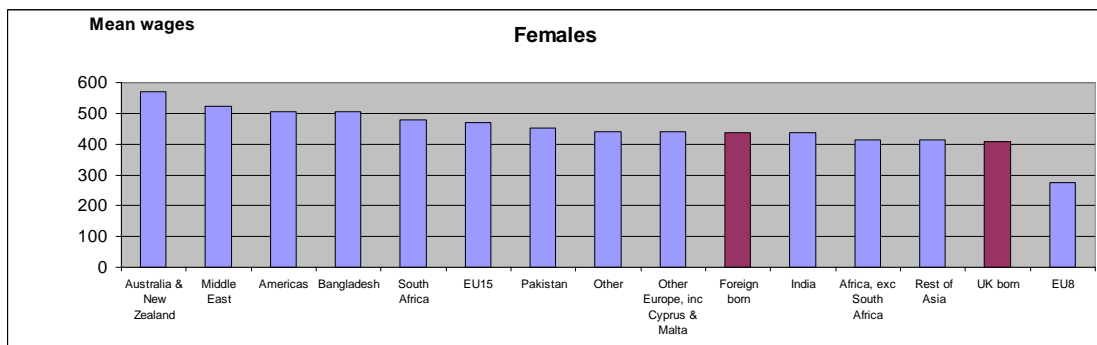
14. The figures in Figure 4.7 and 4.8 are calculated on a slightly different basis to those presented above, as they are based only for full time workers. They demonstrate that full-time workers from developed Western economies and the Middle East earn more than their UK-born counterparts. In contrast, those from the A8 countries earn noticeably less than UK-born workers.
15. On average, foreign-born workers in full-time employment have higher skill levels than their UK-born counterparts. This is particularly true for those from the countries on the left-hand side of these figures. These higher average skill levels explain why the foreign-born have higher average wages than the UK-born.

**Figure 4.7: Mean weekly wage for males in full time employment by region of birth, January to December 2006**



Source: Labour Force Survey

**Figure 4.8: Mean weekly wage for females in full time employment by region of birth, January to December 2006**



Source: Labour Force Survey

*Employment by occupation, level of qualification and year of arrival*

16. As indicated in the first part of this section, figures that focus on all foreign-born resident in the country cover a wider population group than recent migrants. Tables 4.3 and 4.4 provide an indication of the relationships that exist between year of arrival, occupation, level of qualification and country of birth.

### Occupations

17. As shown in Table 4.3, the proportion of those employed in elementary occupations is higher among the overseas-born (15 per cent) compared with the UK-born (11 per cent), especially among those from EU countries (20 per cent). The difference is greater for those who arrived in UK within the past five years. For this group, among those from EU countries (other than the UK), 37 per cent were in elementary occupations, compared to 19 per cent for those from outside the EU. The larger percentage for the EU countries is attributable to the high proportion (45 per cent) for those born in the A8 accession countries.
18. There were similarly notable differences for this group of recent immigrants in terms of the proportions employed as 'managers and senior officials' and in 'professional occupations'. These two broad groups comprised 14 per cent of those born in EU countries other than the UK but just 5 per cent for the A8-born. This compares with 27 per cent for those from outside the EU, 28 per cent for the UK-born in employment and 34 per cent among those from other EU-15 countries.
19. There is a tendency for employment in elementary occupations to be more common among more recent immigrants. This is not a particularly age-related phenomenon. Those under 25 and over 25 showed similar differences in the occupational distribution for the A8-born compared with other migrants.

**Table 4.3: People in employment of working age<sup>1</sup> by country of birth, occupation and year of arrival. United Kingdom, 2006**

Occupation group	Per cent						
	Country of birth				of whom:		
	Total	UK-born	Overseas-born	Born outside EU <sup>2</sup>	Born in EU <sup>2</sup>	Born in EU-15 <sup>3</sup>	Born in A8 countries <sup>4</sup>
<b>Total</b>							
<i>Total (thousands)</i> <sup>5</sup>	27,132	24,111	3,022	2,099	922	597	275
Total (per cent)	100	100	100	100	100	100	100
1 Managers and Senior Officials	15	15	15	15	13	17	3
2 Professional occupations	13	13	16	17	15	19	5
3 Associate Professional and Technical	14	14	14	15	12	17	4
4 Administrative and Secretarial	12	12	9	10	7	8	4
5 Skilled Trades Occupations	11	12	9	8	11	9	16
6 Personal Service Occupations	8	8	8	8	8	8	8
7 Sales and Customer Service Occupations	8	8	7	7	6	6	4
8 Process Plant and Machine Operatives	7	7	8	7	9	6	17
9 Elementary Occupations	11	11	15	13	20	12	40
<b>Year of arrival 1996 and earlier</b>							
<i>Total - all occupations (thousands)</i> <sup>5</sup>	-	:	1,638	1,183	455	391	17
Total - all occupations (per cent)	-	:	100	100	100	100	100
1 Managers and Senior Officials	-	:	18	19	18	17	16
2 Professional occupations	-	:	18	18	16	16	21
3 Associate Professional and Technical	-	:	14	14	16	17	12
4 Administrative and Secretarial	-	:	10	11	9	9	11
5 Skilled Trades Occupations	-	:	8	8	9	9	13
6 Personal Service Occupations	-	:	7	7	7	7	4
7 Sales and Customer Service Occupations	-	:	6	6	6	6	9
8 Process Plant and Machine Operatives	-	:	8	8	7	7	8
9 Elementary Occupations	-	:	10	10	11	11	6
<b>Year of arrival 1997 to 2001</b>							
<i>Total - all occupations (thousands)</i> <sup>5</sup>	-	:	528	409	119	92	27
Total - all occupations (per cent)	-	:	100	100	100	100	100
1 Managers and Senior Officials	-	:	12	11	14	17	6
2 Professional occupations	-	:	18	17	24	28	10
3 Associate Professional and Technical	-	:	15	16	14	17	7
4 Administrative and Secretarial	-	:	8	8	8	8	7
5 Skilled Trades Occupations	-	:	9	8	13	7	33
6 Personal Service Occupations	-	:	9	9	9	8	11
7 Sales and Customer Service Occupations	-	:	8	8	5	5	6
8 Process Plant and Machine Operatives	-	:	6	8	1	1	2
9 Elementary Occupations	-	:	14	15	11	9	18
<b>Year of arrival 2002 to 2006</b>							
<i>Total - all occupations (thousands)</i> <sup>5</sup>	-	:	825	487	338	105	230
Total - all occupations (per cent)	-	:	100	100	100	100	100
1 Managers and Senior Officials	-	:	9	11	6	13	2
2 Professional occupations	-	:	13	16	9	21	3
3 Associate Professional and Technical	-	:	12	16	7	16	3
4 Administrative and Secretarial	-	:	6	9	3	4	3
5 Skilled Trades Occupations	-	:	9	7	12	7	14
6 Personal Service Occupations	-	:	9	10	8	9	8
7 Sales and Customer Service Occupations	-	:	7	8	5	8	3
8 Process Plant and Machine Operatives	-	:	9	4	15	4	20
9 Elementary Occupations	-	:	26	19	37	19	45

Source: ONS Annual Population Survey

<sup>1</sup> Men aged 16 to 64 and women aged 16 to 59.

<sup>2</sup> EU-25 countries (including EU-15, A8 countries plus Cyprus and Malta)

<sup>3</sup> France, Germany, Italy, Belgium, Netherlands, Luxembourg, Denmark, Ireland, Spain, Portugal, Greece, Austria, Sweden, Finland, UK (not applicable)

<sup>4</sup> Hungary, Poland, Czech Republic, Slovakia, Estonia, Latvia, Lithuania and Slovenia.

<sup>5</sup> Includes those who did not state their occupation, but percentages are based on totals which exclude this group.

- Totals for all UK residents by year of arrival not shown as this is only relevant to the overseas-born

: Not applicable.

It should also be noted that the country of birth question in the APS (and LFS) gives an undercount because :-

- it excludes those who have not been resident in the UK for 6 months.
- it excludes students in halls who do not have a UK resident parent.
- it excludes people in most other types of communal establishments (eg hotels, boarding houses, hostels, mobile home sites).
- it is grossed to population estimates that only include migrants staying for 12 months or more.
- microdata is only grossed to population estimates consistent with those published in spring 2003 which are significantly lower than the latest population estimates.

## Qualifications

20. Table 4.4 shows the proportion of people employed with a degree or equivalent qualification in 2006 was higher among the overseas-born (27 per cent) than the UK-born (22 per cent). This was almost entirely due to the relatively high proportion among those born outside the EU (29 per cent) and those from the EU-15 countries (28 per cent). For the A8-born the proportion was only 9 per cent. Among more recent immigrants (those who came to the UK in the past five years), all these proportions were lower, including those born in A8 countries (7 per cent). The proportions of those employed with no qualification were also notably higher for this group of recent immigrants - 18 per cent for those born in A8 countries, 15 per cent for other EU countries overall, 9 per cent for the EU-15 and 10 per cent for those from outside the EU. These compare with 9 per cent for the UK-born. Again, as for the occupation distributions, these differences in qualification profiles do not appear to be caused by any marked age-related effect, comparing the distributions for those under 25 and those over 25.

## Occupations and qualifications

21. Differences in educational attainment are likely to explain some of the differences in occupational distributions discussed above, but not all. For example, recent immigrants with degrees or equivalent qualifications are less likely than their UK-born counterparts to be employed in managerial and professional occupations (50 per cent compared with 62 per cent respectively) and more likely to be employed in elementary occupations (9 per cent compared with 1 per cent).

**Table 4.4: People in employment of working age<sup>1</sup> by country of birth, highest qualification and year of arrival. United Kingdom, 2006**

	Country of birth						Per cent
	Total	UK-born	Overseas-born	of whom:			
				Born outside EU <sup>2</sup>	Born in EU <sup>2</sup>	Born in EU-15 <sup>3</sup>	Born in A8 countries <sup>4</sup>
<b>Highest qualification</b>							
<b>Total</b>							
<i>Total (thousands)</i> <sup>5</sup>	27,132	24,111	3,022	2,099	922	597	275
Total (per cent)	100	100	100	100	100	100	100
Degree or equivalent	22	22	27	29	22	28	9
Other qualification / don't know	69	69	62	60	66	62	75
No qualification	9	9	11	11	12	10	16
<b>Year of arrival 1996 and earlier</b>							
<i>Total (thousands)</i> <sup>5</sup>	-	:	1,638	1,183	455	391	17
Total - all qualifications (per cent)	-	:	100	100	100	100	100
Degree or equivalent	-	:	31	33	25	26	32
Other qualification / don't know	-	:	58	55	64	63	60
No qualification	-	:	12	12	11	11	6
<b>Year of arrival 1997 to 2001</b>							
<i>Total (thousands)</i> <sup>5</sup>	-	:	528	409	119	92	27
Total - all qualifications (per cent)	-	:	100	100	100	100	100
Degree or equivalent	-	:	27	25	35	41	11
Other qualification / don't know	-	:	63	64	58	51	81
No qualification	-	:	10	11	7	8	7
<b>Year of arrival 2002 to 2006</b>							
<i>Total (thousands)</i> <sup>5</sup>	-	:	825	487	338	105	230
Total - all qualifications (per cent)	-	:	100	100	100	100	100
Degree or equivalent	-	:	19	22	14	27	7
Other qualification / don't know	-	:	69	68	71	64	75
No qualification	-	:	12	10	15	9	18

Source: ONS Annual Population Survey

<sup>1</sup> Men aged 16 to 64 and women aged 16 to 59.

<sup>2</sup> EU-25 countries (including EU-15, A8 countries plus Cyprus and Malta)

<sup>3</sup> France, Germany, Italy, Belgium, Netherlands, Luxembourg, Denmark, Ireland, Spain, Portugal, Greece, Austria, Sweden, Finland, UK (not applicable)

<sup>4</sup> Hungary, Poland, Czech Republic, Slovakia, Estonia, Latvia, Lithuania and Slovenia.

<sup>5</sup> Includes those who did not state their highest qualification, but percentages are based on totals which exclude this group.

- Totals for all UK residents by year of arrival not shown as this is only relevant to the overseas-born

: Not applicable.

It should also be noted that the country of birth question in the APS (and LFS) gives an undercount because :-

- it excludes those who have not been resident in the UK for 6 months.
- it excludes students in halls who do not have a UK resident parent.
- it excludes people in most other types of communal establishments (eg hotels, boarding houses, hostels, mobile home sites).
- it is grossed to population estimates that only include migrants staying for 12 months or more.
- microdata is only grossed to population estimates consistent with those published in spring 2003 which are significantly lower than the latest population estimates.

### *Labour market status of migrants*

22. An analysis of the labour market status of migrants compared with the UK-born population recently appeared in an article published on the National Statistics website: 'Labour market summary for the household population by country of birth' (See <http://www.statistics.gov.uk/cci/article.asp?ID=1736&Pos=1&ColRank=1&Rank=1>)
23. This analysis of LFS data focused on all the foreign-born population covered by the survey, not just recent immigrants, but it picked out some key developments over the four-year period from 2002 to 2006. In summary:
- Over the four years to April-June 2006, the overseas-born population of working age increased by 947,000 (26 per cent) while the UK-born population of working age increased by 44,000 (0.1 per cent).
  - The A8 group accounts for just 7 per cent of the overseas-born, but showed a much larger percentage increase than other groups over the past four years. There was an increase of over 400 per cent, from nearly 60,000 to around 310,000, for this group.
  - The employment level for the overseas-born population increased by 740,000 over the same four-year period, to Spring 2006, while the employment level for the UK-born population barely changed. Most of this increase (around 510,000) was amongst those born outside the EU. However the remaining increase of some 230,000 for those born in EU countries, was mostly explained by a very steep rise in employment for the A8-born sub-group of over 210,000, from nearly 40,000 to over 250,000 (an increase of more than 600 per cent).
  - In 2006, those born in the A8 countries had the highest employment rate (82 per cent of those of working age), This represented a substantial increase from around 60 per cent in 2002 and 2003. By comparison, employment rates in 2006 were 75 per cent for both the UK-born and those from other EU countries and 64 per cent among those of working age from the rest of the world..
  - The unemployment rate in 2006 among the overseas-born was nearly 8 per cent among those of working age who were economically active. The rate for those from EU countries was similar to UK-born at about 5 per cent, compared with 9 per cent for those from the rest of the world.
  - The proportion who were economically inactive, in 2006, was 12 per cent of the working age population born in A8 countries, 21 per cent for both UK and other EU countries and 29 per cent for the rest of the world. (27 per cent for all the overseas-born in total).

## Benefit claims

24. National Insurance Number (NINo) allocation data provide information on the inflows of those overseas nationals who come to the UK in a given year and make a claim for benefits within six months of registration. In 2005/06 the level of benefit claims was low with only 16,000 foreign nationals claiming a benefit within six months of registration. This is despite the overall total of those arriving in 2005/6 and registering for a NINO rising to 562,000 from 294,100 in 2001/2. The largest number claimed Job Seekers' Allowance (JSA), but the level was still very low.

**Table 4.5: Benefit claims within six months of registering for a National Insurance number by continent of origin, 2005/06 arrivals**

Continent of origin	2005/06 Arrivals	Incapacity Benefit/Severe Disability Allowance		Income Support		Job Seekers' Allowance	
	Number	Number	Rate (Per 1,000)	Number	Rate (Per 1,000)	Number	Rate (Per 1,000)
<b>All</b>	<b>562,200</b>	<b>1,400</b>	<b>3</b>	<b>1,300</b>	<b>2</b>	<b>13,000</b>	<b>23</b>
A Accession	262,400	300	1	-	-	1,300	5
Africa	50,700	300	5	600	11	3,200	64
Asia and Middle East	105,300	200	2	300	3	1,300	12
Australasia and Oceania	26,900	-	1	-	-	100	5
European Union (excluding accession states)	81,400	400	5	300	3	6,300	78
Other	1,300	100	66	-	10	300	223
Other European	11,400	100	5	100	5	300	25
The Americas	22,700	-	1	-	1	200	8

*Source: 100% extract from National Insurance Recording System linked with DWP benefit data at 14th May 2007*

25. The proportion of Accession state nationals claiming a benefit within six months of registering for a NINo is one of the lowest next to those from Australasia. Those overseas nationals from the EU15, Africa and other countries had the highest claimant rates.

<sup>10</sup> Accession States are Poland, Slovakia, Slovenia, Hungary, Czech Republic, Estonia, Latvia, Lithuania, Cyprus, Malta, Romania and Bulgaria

## Section 5 How can data on immigration be improved?

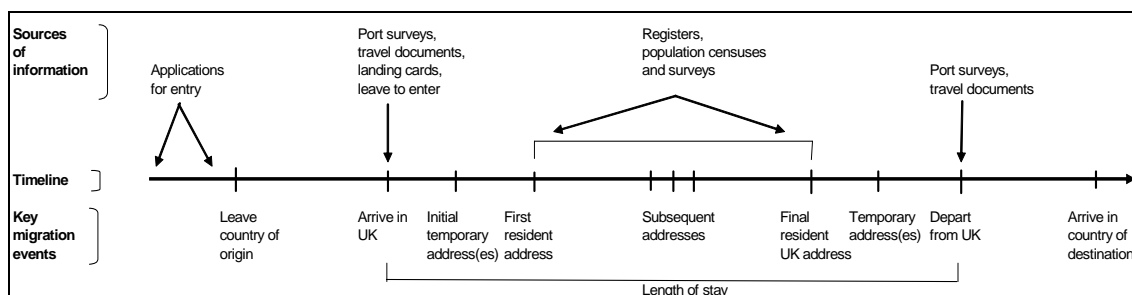
### Context

1. It is increasingly important to have high quality statistics on migration and the population, for policy development and for planning and providing public services - it is the largest component of population change. Achieving this aim is challenging in the context of increasing globalisation, accompanied by complex individual lifestyles and dramatic changes in patterns of migration to and from the UK over the last decade.
2. In a period of rapid change, population migration (that is individuals changing their place of residence) can have a profound effect on economic and social policy and service delivery. In these circumstances relevant, accurate and timely statistics are particularly necessary - to support the development and monitoring of new and existing policies, planning and resource delivery and to describe the social change that is taking place.
3. In May 2006, the Inter-Departmental Task Force on international migration statistics was set up by the National Statistician to recommend timely improvements that could be made to estimates of migration and migrant populations in the United Kingdom, both nationally and at local level. The Task Force report was published in December 2006<sup>11</sup>

### The challenges in making accurate estimates

4. International migration can often be a very complex process (see example diagram below). It can involve multiple decisions, made at different stages in the process of changing residence, both by the individuals concerned and by others (e.g. employers and those involved in immigration control). This has made it difficult to adopt a single measurement tool that meets all needs.

**Figure 5.1: Timeline showing the relation between information sources and key migration events**



5. The Task Force Report indicated that tracking changes in the pattern of migration in a timely fashion (particularly those resulting from globalisation and EU expansion) has proved difficult using existing sources, methods and definitions because:

<sup>11</sup> See <http://www.statistics.gov.uk/about/data/methodology/specific/population/future/imps/updates/default.asp>

- no systematic register exists of all people entering or leaving the country;
  - population and migration statistics are currently based solely on the UN definition of a long-term migrant (a person who migrates for over 12 months, see Box 1);
  - limited data are available to separately identify short-term migrants (3-12 months) or seasonal workers and even fewer statistics are routinely published about these groups;
  - information on intended length of stay collected at ports (e.g. on the International Passenger Survey) may differ from that obtained in-country;
  - administrative registers (e.g. NHS patient registers) only collect residence information on migrants once they have registered (by which time they may have moved address several times). No information on intended stay is recorded and actual duration in the country is not well documented. These factors make it difficult to estimate geographic distributions of international migrants or to link length of stay to employment patterns;
  - most administrative sources that identify new arrivals in the country (e.g. Worker Registration Scheme) or record place of residence for all those registered (e.g. NHS and NI registration), have little or no direct information on emigration;
  - at present, the only reliable source of information on emigration is the International Passenger Survey. The number of emigrants interviewed in this survey each year is relatively small.
6. The exclusion of short term migrants from these figures has, additionally, raised concerns about the relevance of the current range of available population statistics. The numbers of short term migrants present at any time impacts significantly on society and the economy.
7. The report concluded that:
- There is no quick fix;
  - There must be a continuous programme of improvement to meet changing needs;
  - Improvements require central and local government, devolved administrations and other partners to work together.
8. It identified an aspiration “to move to a situation where we have timely, accurate estimates of the number of people coming into, going out of and present in the country for different durations and reasons (short and long term residence, seeking refuge, study, etc). Sufficient detail (e.g. geographic breakdowns) would be available to meet key requirements for population and migration statistics. This would be accompanied by the capacity to interpret trends and anticipate how changes and new uses will impact on the requirement for statistics.”

## *Recommendations of the Task Force*

**Recommendation A:** Improve information about migrants as they enter or leave the country

- Establish a port survey to capture an increased sample of migrants, especially emigrants. Bring forward key elements of the e-Borders project, including passport scanning. Improvements to statistics could be delivered in three to five years;
- Provide more data on controlled migrants from landing cards, in particular, duration of stay and destination in the UK. Link data to subsequent information about the migrant. A sample of all travellers would need to complete a landing card on arrival in the UK;
- Collect migration-related information from the points-based information system being developed to manage the flow of migrants coming to the UK to work or study.

**Recommendation B:** Improve information about migrants living in this country

- Survey people living in communal establishments, who are not currently covered by ONS household surveys. Make more use of information on migrants collected by local authorities, employers or agencies providing work for migrants;
- Include in the 2011 Census questions that identify short-term and long-term migrants;
- ONS and devolved administrations should have access to timely administrative information that potentially identifies migrants.

**Recommendation C:** Link official data sources to relate migrants' intentions at entry to the UK to subsequent events, such as employment, having a child and when they leave the country

- Explore the potential for using a current survey, the Work and Pensions Longitudinal Study, to provide information on patterns of employment, children and benefits among migrants;
- ONS and the devolved administrations should continue to have access to the population statistics items, available on individual level health registers, that are needed to estimate migration;
- Access should be provided to individual level School Census data for statistical purposes, to allow linking with other sources so as to improve the statistics on migrants and their families.

**Recommendation D:** Improve key indicators of migrant numbers and trends

- Improve the use of statistical and demographic models to enhance migration and population estimates;
- Convene an expert committee on migration statistics reporting to the National Statistician to provide an up to date interpretation of current UK migration statistics.

**Recommendation E:** Publish all statistics collected across government on migration and migrants in a single UK-wide report

- Provide a more coherent picture than is available from the wide range of disparate information currently available;
- The National Statistics Centre for Demography, part of ONS, should publish an Annual Report on Migration Statistics.

*What improvements are already being put in place?*

9. The Government has begun to take action on a number of fronts to improve the range and quality of statistics about international migration.

### **Office for National Statistics**

10. ONS is undertaking a substantial and long-term programme of work to improve population statistics. The aim of this work is to improve the quality of both migration and other population statistics so as to minimise the risk of divergence between the 2011 Census population estimates and those based on the 2001 Census. However, recognising that differences between two sets of estimates are inevitable, a key part of the aim of the improvement work is also to provide a better understanding of the differences that remain.
11. This work has highlighted several improvements to methodology that can be made immediately. These will principally impact on the distribution of the national population to local areas through making improvements to the distribution of international migrants. Five strands to the improvements to migration estimates were implemented on 22 August 2007:
  - Combining information from the Labour Force Survey (LFS) and the International Passenger Survey (IPS) to improve the regional distribution of national international in-migration estimates;
  - Replacing existing intermediate geographies with one that produces more robust estimates;
  - Improving the way international out-migrant estimates are distributed between local authorities in each region of England and in Wales – by distributing IPS figures to local areas using new factors that reflect propensity to migrate;
  - Improving the basis for making assumptions about the proportion of people who will not realise their original intentions at the time of travel, in terms of their expected length of stay in the destination country – these are known as migrant switchers and visitor switchers;
  - Improving the method for estimating the age distribution of international migrants to and from local authorities in England and Wales.
12. These improved methods were incorporated in the first release of mid-2006 population estimates and in revisions to published estimates for mid-2002 to mid-2005<sup>12</sup>.
13. The improved methods being implemented in 2007 relate to the usually resident population of each area and the international migration component of these figures. For this purpose, the United Nations

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<sup>12</sup> See <http://www.statistics.gov.uk/pdfdir/popest0807.pdf>

recommended definition of a long-term international migrant is used (a person who moves to a country other than that of his or her usual residence for a period of at least a year). The estimates do not take account of people moving for less than a year.

14. ONS is currently developing estimates of the numbers of short term migrants coming into, going out of and present in the country each year. It is planned to produce estimates at a national level in October 2007, for the years to mid-2004 and mid-2005. These will also include estimates of average length of stay. Methods for producing short-term migration estimates at sub-national levels are being researched.
15. For the longer-term, ONS is also looking at the feasibility of producing population estimates on alternative bases, using information obtained from questions being developed for use in the 2011 Census and continuous population surveys.
16. ONS development work is focussed on making improvements in data collection and in the statistical methods used to combine the information that exists on migrants from across government. Recent development work to improve data collection and collation is listed below:
  - The size of the sample of international out-migrants in the IPS was increased from January 2007;
  - New questions were included in the IPS from 2004 to help estimate how many people change their original intention on length of stay;
  - Statistical requirements have been fed into the Home Office electronic borders (e-Borders) programme to ensure that benefits become available as the programme is rolled out;
  - Requirements for collecting better information about migrants have fed into the development of the new enlarged household survey, starting in 2008, and into the 2011 Census;
  - ONS is currently conducting a review of port surveys and will report its findings in due course;
  - Recent developments on ONS independence and the Statistics and Registration Services Act have led to the establishment of an Administrative Data Strategic Development (ADSD) Project within ONS to ensure improved access to administrative data and development of record linkage methods.
17. A review of the potential use of administrative sources in the estimation of population statistics. This paper compares estimates of international migration at local authority district level available from three administrative data sources (the Worker Registration Scheme, National Insurance Number allocations, and recording of new registrations with NHS General Practitioners). Comparisons are also made with ONS estimates. It concludes that, for the majority of local areas, patterns are similar. However in some areas there are large differences between sources. Among the most important reasons for these differences are that different populations are covered, that inclusion in each source is based on

different lengths of stay in the country and that registration is not compulsory on some of the systems.

## **Home Office**

18. The Border and Immigration Agency (BIA) is reviewing what statistics are produced and published and the frequency of publication. This review, following up a National Statistics Quality Review (NSQR)<sup>13</sup> was signalled by the Home Secretary in the House of Commons on 9 July 2007.
19. The review will examine the current scope, level of detail and frequency of BIA's published statistics on control of immigration – with a view to more balanced representation of the Agency's operations and responsibilities.
20. Good quality and timely data within BIA is essential for both operational purposes and longer term planning purposes. Thus as part of the Home Office reform plan that deals with data quality (including its specification of a minimum quality needed for any published statistics), BIA is striving to improve the quality of its operational data.

## **Department for Work and Pensions**

21. The Information Directorate (IFD) within DWP publish annual National Statistics on overseas workers allocated a National Insurance number (NINo) by Jobcentre Plus. Complete NINo-based data are sourced from the National Insurance Register (NIRS) and tabulated by year of arrival and registration, continent/country of origin, region of residence, gender, age band, and subsequent benefit claims. Data are held at individual level with 100 per cent coverage and are particularly valuable as a local area indicator) data are published at Parliamentary Constituency and Local Authority District level) and for longitudinal analysis.
22. IFD also hold a range of other information that has been linked, using NINO, to other datasets produced by IFD. One of these data sets, the Lifetime Labour Market Database (L2) is a 1% sample of NIRS providing a comprehensive set of information on NI contributions, tax records, basic pension qualifying years, from which to build up a picture of migrant workers activity and employment patterns. Migrant data has also been linked to the Work and Pensions Longitudinal Study (WPLS), produced by IFD, which covers all benefit and employment spells (employment is based on HMRC P45/46 data).
23. IFD now receive quarterly data on migrant worker NINo registrations. Subject to successful completion of ongoing work on automation and quality assurance, IFD aim to release quarterly data from November 2007. Current tabulations include numbers claiming benefit within 6 months of registration / arrival and, as many are not entitled to claim for the first 12

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<sup>13</sup> The final report of the NSQR of "Control of Immigration: United Kingdom" publications, and the Home Office's implementation plan, can be found on the National Statistics website.

<http://www.statistics.gov.uk/about/data/methodology/quality/reviews/population.asp>

months, this has limited information value. The possibility of providing information for longer time lapse periods than 6 months is currently being investigated.

24. Work to track cohorts of migrants provides an upper bound on the numbers that may have left the country. Some tracking work has been undertaken using one per cent NIRS data and, separately, the Work and Pensions Longitudinal Study (WPLS). The NIRS data is a rich source of information enabling a picture of economic activity to be built up based on contribution data. The WPLS is more timely but a less rich source of information and, unlike the NIRS data, has the advantage of not being sample based. Until further validation, and broader quality assurance work on the employment element of WPLS employment data is completed, the 1 per cent NIRS data is the preferred source of employment information. The intention is to publish preliminary results of this work in late 2007/early 2008.
25. DWP has commissioned work from Leicester University and London School of Economics to use the one per cent NIRS data to look at economic activity of migrant workers. The first element of this work is due to report by the end of the calendar year.
26. DWP are considering the following forward work Programme:
  - i) Possible work that could be undertaken with existing data within a 2 year period
27. **Alignment with International definition of migrant-** The International definition of a migrant is based on presence in the country for over a year. DWP data does not currently distinguish between 'short term' migrants and the standard International definition. We could obtain a lower bound, for various sub categories, of long term (over a year ) migrants by identifying those for whom we have benefit or employment data at least a year after arrival / registration. This would only provide a lower bound to on- flows but would nevertheless aid international comparisons.
28. **Time series** – Quarterly information is available from April 2007 on the number of NINOs JobCentre Plus are issue. This would enable work to be undertaken on seasonable variation by, for example Local Authority Areas.
29. **Investigation of patterns of movement over time between LA** – Data is stored which would potentially enable identification of, for example, where a person who registered for a NINO in 2002/ 2003 lived in 2006/7 and also, where they lived in 2005/2006 and 2004/2005 as well. The quality of this information is unknown but could be investigated

ii) Potential for further work within a 5 year period

30. The quality of the information that would be accessed for the following strands of work has not been assessed. Substantive exploratory work would therefore be required to determine if the strands warranted detailed work.
31. **Extension of the existing preliminary analysis to include New Tax Credit.** The Exploratory work to track the work and benefit patterns for migrants has been undertaken by matching migrant data to one per cent NIRS data and, separately, the Work and Pensions Longitudinal Study (WPLS). Potentially it would be relatively simple to update this work using more timely data. In addition, given some development work, the matching could be extended to include New Tax Credits and HMRC self assessed information. The New Tax data is currently being assessed but is unlikely to be integrated within the WPLS within the next two years.
32. **Links with non WPLS data to identify family composition information**—Links with the NINO migrant worker data, if appropriate legalities around data sharing could be satisfactorily resolved, to CSA data, child benefit data and housing benefit information might yield information on family composition of longer term migrants. This could then form a valuable input to population projections as well as take up education, health etc facilities. Links to 100% NIRS data would also be possible if it was practical to overcome the current funding and resource issues around 1005 NIRS data
33. **Links to survey data** – there a number of surveys which, if consent and wider legal issues around data sharing could be resolved, could be linked to the NINO data to provide a rich vein of information on migrants. These include surveys like the Family Resource survey, the Labour Force Survey, the International Passenger Survey etc. There is a possibility that the “Research and Statistics” exemption could be, for example, applied by ONS.

*Conclusion*

34. A report will be published by ONS setting out progress and future plans for taking forward the recommendations of the Inter-departmental Task Force into international migration statistics. This will provide greater detail on work planned over the next two to five years.

## Annex A How immigration is reflected in the National Accounts

1. The National Accounts provide a systematic statistical framework for summarising and understanding economic events and the wealth of an economy, building on its various components. This section explains how immigration and related phenomena are reflected in the UK National Accounts and what are the main measurement challenges.
2. Gross Domestic Product (GDP) is the headline summary indicator of economic activity in the UK. There are three approaches to producing one measure of GDP, namely the production, income and expenditure approaches.

### *(1) The production approach*

3. The production approach measures the flow of goods and services that are produced in the UK economy. Estimates are based on business surveys that capture output and purchases of goods and services used as intermediate consumption, valued whenever possible at market prices. In principle, migration should not pose specific problems to the direct measurement of output as business surveys gathering data on outputs and inputs should capture the activity of all demographic groups, including migrants. The output of both legal and illegal immigrants working on legal activities is within the scope of business inquiries. For example, if they are working for a company in the catering sector their output will contribute to the turnover and employment figures provided by the caterer to ONS. Furthermore, the National Accounts are meant to capture all economic transactions (monetary or not) between consenting parties, independently of their legality.
4. Adjustments are implemented to correct biases induced by some illegal activities such as smuggling using HMRC intelligence sources. ONS and other countries have undertaken research to provide illustrative estimates of illegal activity. ONS(1998) reports that illegal activity could amount to 1% of GDP in the UK.<sup>14</sup> However, these estimates are not sufficiently developed to be incorporated into the National Accounts in full. Although illegal immigrants, in the light of their particular position, may be more likely to be involved in some of these activities, it is not possible to identify a specific migration component of total output or estimate its contribution to its measurement bias.
5. Some sectors have larger shares of "irregular" value added because of informal activity that is concealed from public authorities, for example to avoid complying with tax or employment regulations. Such activities also fall within the production boundary. ONS makes specific adjustments for tips and income in kind and uses expenditure data to estimate certain types of informal activities.

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<sup>14</sup>Office of National Statistics (ONS), "Developing a Methodology for Measuring Illegal Activity for the UK National Accounts", 1998.

## *(2) The income approach*

6. The income approach measures the income generated by the production of these goods and services. Broadly speaking, this approach adds up estimates for the remuneration of the various factors of production, namely adding up the compensation of employees, business profits (operating surplus) and the income of the self-employed. The major source for this approach is income, corporation and other tax data from HMRC, alongside data from business inquiries. An estimate is made to allow for certain factor incomes not being declared to the HMRC. ONS does not publish a separate series with the compensation of migrant employees or specific demographic groups.<sup>15</sup>
7. For illegal immigrants working legally, their income will be included in the annual benchmarking process in which HMRC income data are used although there is a potential for misreporting if part of the activity and remuneration are concealed from the authorities. This may also affect the reporting to ONS quarterly and annual surveys despite their not being used for enforcement purposes. If illegal immigrants are working illegally their income will be missing from income tax records and therefore are unlikely to be captured using the income approach unless covered by the adjustments for evasion and smuggling explained above.

## *(3) The expenditure approach*

8. The expenditure approach measures the final expenditures on the goods and services that are produced. This broadly consists of final consumption by households and non profit institutions, government final consumption, investment and exports net of imports.
9. Migrant households will account for a share of the estimated household final consumption. Final consumption is estimated from the Expenditure and Food Survey (a household survey<sup>16</sup>) and from the Retail Sales Inquiry, while travel expenditures are estimated from the ONS International Passenger Survey. This is complemented by sales data for the distribution and service trades. This implies that legal and illegal immigrants should be captured in the expenditure approach. Potential exceptions may arise if immigrants are less likely to be part of household surveys, particularly those living in communal establishments.

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<sup>15</sup> Certain sources can in principle be used to estimate immigrants' contribution to specific components of GDP, for example employment compensation, by estimating the number of migrant employees and their average wage. Because of the way in which workforce jobs, employee numbers and income data from various sources are triangulated at the aggregate level, such an exercise should be undertaken with particular caution and its output sufficiently caveated.

<sup>16</sup>The grossing of expenditures recorded through household surveys will be affected by the measurement of the total population, including immigrants.

10. Immigrants are probably more likely to be involved in goods and services transactions with residents abroad, including barter, but no specific information is available on this.
11. Government final consumption expenditure data is obtained from administrative sources. This figure can be split between social transfers in kind (individual consumption) and collective consumption, namely services delivered to the whole community. The former could in principle be attributed to different demographic groups although information to conduct such an analysis is not available. The latter, by definition, cannot be conceptually decomposed into specific demographic groups.

*Other macroeconomic aggregates – National Income and Balance of Payments*

12. Although GDP is the headline indicator of economic activity, the UK National Accounts also report indicators of national income that ultimately reflect how much residents can use of final consumption and saving. The adjustments required to transform GDP into Gross National Disposable Income require accounting for wages and salaries earned by individuals from economies other than those in which they are resident and other transfers where migrants play a key role.
13. Remittances received from UK emigrants abroad and paid by immigrants in the UK are an important component of current transfers between the UK and the rest of the world.<sup>17</sup> The UK does not publish separate data for workers' remittances within current transfers debits and credits for quality reasons. Workers' remittances are based on projections of counterparty data from IMF and key country reports. Compensation of employment and migrant transfer data are mainly based on the ONS frontier survey. Current efforts are focused on improving the quality of information collected on expenditures on money sent abroad collected through household surveys.
14. The International Investment position is also affected. Imputations are performed to account for the fact that when a person's status changes from non-resident to resident (or vice versa) the property owned by the migrant becomes the property of a resident. For example, any financial assets held abroad by the migrant become claims by the UK on the rest of the world.

*Conclusions*

15. The national accounts framework allows the capture of immigrants' production, income and expenditure. While there may be issues of under-recording when activity is illegal or informal, the use of Supply-Use

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<sup>17</sup> The balance in social security payments between the UK and the rest of the world also reflects credits and debits for payments to migrants

balancing to bring together the three measures of GDP into a single measure of growth is thought to minimise the problem.

16. Because data collection, estimation and reporting are not structured according to demographic groups, the national accounts framework does not enable to identify the direct contribution of immigrants to the measured levels of economic activity.

## **Annex B Main data sources used in this submission**

### **International Passenger Survey**

1. This is a sample survey of passengers arriving at, and departing from, the main United Kingdom air and sea ports and the Channel Tunnel .Of those sampled, approximately 1 per cent were migrant interviews in years up to 2007,which amounted to around 3,000 interviews with migrants entering the country and 800 with those departing. From 2007, the number of interviews with departing migrants will be boosted to a comparable level to those on entry.
2. The IPS sample is stratified to ensure that it is representative by mode of travel (air, sea or tunnel), route and time of day. Interviews are conducted throughout the year. The information collected by the survey is weighted using total passenger movements (e.g. from the Civil Aviation authority) to produce national estimates of migration. This is explained in more detail in the annual international migration statistics volume,

[http://www.statistics.gov.uk/downloads/theme\\_population/MN\\_no32.pdf](http://www.statistics.gov.uk/downloads/theme_population/MN_no32.pdf)

3. In terms of measuring migration, the IPS has three main limitations:
  - it does not cover all types of migration (e.g. land routes between the UK and the Irish Republic, most asylum seekers and some dependants of asylum seekers);
  - as a sample survey, the estimates are subject to a degree of uncertainty;
  - migration estimates are based on respondents' intentions, which may or may not accord with their final actions. Adjustments are required to account for those who change their intention, known as 'switchers'.

### **Labour Force Survey (LFS)**

4. .The Labour Force Survey (LFS) is a quarterly household survey run by ONS, representative of the household population of the UK.. The LFS collects a wide range of variables including nationality and country of birth. The data can be used as an indicator of the non-British or foreign born migrant numbers in the UK. The population covered is all people resident in private households. The LFS excludes most communal establishments although it does cover most staff resident in National Health Service accommodation. Students in halls of residence are covered by proxy through their parents and thus foreign students living in halls of residence are not likely to be covered – though those living in private households will be. People who have not lived in the UK for six months are excluded.
5. The sample includes households in multi-occupied dwellings are included, although there is evidence that response rates for multi-occupied dwellings are lower than for single household dwellings. The sample is, however, weighted to take account of response rates by age, sex and region and this goes some way to correcting for differences in response.

## **National Insurance Number (NINo) Allocations**

6. National Insurance Numbers are issued to individuals over the age of 16 and are used to record a person's national insurance contributions and social security benefit claims. New numbers are issued to migrants including:
  - All non-UK born nationals aged 16 or over working, planning to work or claim benefits legally in the UK, regardless of how long individuals intend to stay.but excluding:
  - Dependents of NINo applicants, unless they work or claim benefits;
  - Individuals from overseas not working, planning to work, or claim benefits - for example, this will include many students;
  - Migrants who are not of working age if not claiming benefits;
  - Those with an existing national insurance number, for example returning UK nationals.
7. Migrant statistics are based on HMRC data, held on the NIRS computer system, on NINOs allocated to overseas nationals entering the UK; figures are available back to 2000/01. The statistics show the number of people registering for a NINO in order to work (including the self-employed and students working part-time) or to claim benefits and tax credits. They do not include other people who come to the UK and - being flow data - they do not show the number of foreign nationals working or claiming benefit at a given point in time nor do they distinguish between long term and short term migration. They do make a valuable contribution to the overall picture on immigration.
8. Data are tabulated by year of arrival and registration, continent/country of origin, region of residence, gender, age band, and subsequent benefit claims. A key strength of this administrative source is that data are held at individual level with 100 per cent coverage and are particularly valuable as a local area indicator data are published at Parliamentary Constituency and Local Authority District level, and for longitudinal analysis.
9. The statistics are derived as a byproduct of an administrative system not designed primarily for statistical purposes; meaning for example that statistics do not distinguish between short-term and long-term migration and hence do not match the UN definition of migration.

## **The Worker Registration Scheme (WRS)**

10. Following expansion of the European Union on 1<sup>st</sup> May 2004, the Government put in place transitional measures to regulate access to the labour market and to restrict access to benefits for nationals from new member states. Nationals of the A8 countries who wish to take up employment in the UK for a period of at least a month are generally required to register with the WRS. The statistics in this publication are only of those who have registered with the Home Office to work as employees in the UK. Workers who are self-employed do not need to register and are

therefore not included in these figures; there may also be other workers from the accession countries who for one reason or another do not register and are thus also not included in these figures. Applicants must register more than once if they are employed by more than one employer. They must also re-register if they change employer. Each application to the WRS therefore represents one job, not one applicant.

11. The population covered on the WRS includes:

- Long-term international migrants from A8 countries working as employees in the UK;
- Visitors and short term migrants from A8 countries, staying for over a month, and intending to work as employees in the UK;
- Dependents of WRS applicants. It is likely that there is some double counting as dependents may also be registered in their own right on the WRS.

but excludes:

- Migrants from A8 countries who are self employed;
- A8 migrants staying for less than a month;
- A8 migrants who migrate or visit the UK for reasons other than work, for example including potentially many students;
- Migrants from non-A8 countries.

12. The data are based on the applicant's place of work rather than usual residence. Although residence is also collected, Home Office research indicates that workplace is more accurate on the WRS. The figures produced are by date of application rather than date of entry into the UK. Most figures in the Accession Monitoring Report are based on the date the application form was completed.

13. WRS operates as a transitional arrangement following EU expansion in May 2004 so can not offer a permanent alternative or supplementary count. Data will not be available from the WRS after 2009, nor is it being collected from January 2007 for nationals from the latest accession countries (Bulgaria and Romania).