



Home Office

Employment and occupational skill levels among UK and foreign nationals

Stuart Campbell, Jacquie Cooper and Jon Simmons

February 2014

Occasional Paper 108

The views expressed in this report are those of the authors, not necessarily those of the Home Office (nor do they represent Government policy).

Employment and occupational skill levels among UK and foreign nationals

Summary

Over most of the last decade, employment levels in the UK rose faster among foreign nationals than among UK nationals. However, in 2012 and 2013 the share of employment growth attributed to UK nationals increased, as the share attributed to foreign nationals fell. Using data from the Labour Force Survey, this report examines this change, and places it in the context of longer-term labour market trends for UK and foreign nationals.

Lower-skilled¹ employment has been falling consistently for UK nationals over the past decade, while such employment has been growing among foreign nationals. This pattern was disrupted in 2012, which saw the first substantial rise in lower-skilled employment for UK nationals in a decade. At the same time, the number of foreign nationals in lower-skilled employment started to fall, particularly among non-EU nationals. This change also coincided with policy tightening on the student and family immigration routes for non-EU nationals, and measures to restrict work routes to skilled occupations. However, at the same time, recent economic conditions may have caused shifts in the type of employment taken up by UK and foreign nationals.

Key findings

1. Employment

Foreign nationals accounted for much of the growth in employment in the UK over the last ten years, particularly during the period following the EU8² accession in 2004. Between the first quarter of 2004 (the last quarter before the accession) and the first quarter of 2008 (the last quarter before the onset of recession) foreign nationals accounted for 78 per cent of the 1.1 million total rise in employment. There appears to have been a shift in 2012/13, with UK nationals accounting for 92 per cent of the total rise in employment in the year to July-September 2013. This is the sixth consecutive quarter in which UK nationals have accounted for the majority of annual employment growth.

2. Occupational skill level

Higher-skilled employment has been growing for both UK and foreign nationals for most of the last decade. However, lower-skilled employment has been falling consistently for UK nationals over the same period, while such employment has been growing among foreign nationals, particularly those from EU8 and non-EU countries. This changed in 2012, as lower-skilled employment rose among UK nationals and fell among foreign nationals for four consecutive quarters. Over the most recent year, to July-September 2013, the overall employment gain for UK nationals has been in higher-skilled occupations, whereas employment growth amongst foreign nationals has been much smaller and mainly focussed in lower-skilled occupations, with this growth coming mainly from those EU14 nationalities still affected by the economic crisis. Although the change in higher-skilled employment of foreign nationals has been small over most recent quarters, this hides an increase in EU14 employment and a decline in non-EU employment.

¹ See Appendix A for definitions of 'lower-skilled' and 'higher-skilled' occupations.

² The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. Other accession states – Malta, Cyprus (2004), Bulgaria and Romania, (2007) are excluded from the analysis.

1. Introduction

The UK Government has stated its intention to reduce net migration and to rebalance immigration policy in favour of skilled migrants. Net migration, at 182,000, is nearly a third lower than its peak in 2010 (Office for National Statistics, 2013a). This report examines the recent data and the trends over time in employment and occupational skill level of UK and foreign nationals, and particularly the period of increased immigration since the EU accession in 2004.

Data

The data used here are from the Labour Force Survey (LFS). The main statistics are already publicly available in published Office for National Statistics (ONS) tables. As the LFS is a sample survey, the figures are subject to sampling variability, and as such are estimates rather than precise figures. Not all employed respondents provide nationality and occupational information, so estimates do not all sum to the total employment figures. Sample sizes in the LFS are insufficient to provide trends for some of the more detailed characteristics, such as unemployment or inactivity rates for different nationality groups. Occupations are defined here as ‘lower-’ or ‘higher-skilled’ according to the Skill Level they are assigned in the Standard Occupational Classification (2010). Skill Levels 1 and 2 are defined as ‘lower-skilled’ and Skill Levels 3 and 4 are defined as ‘higher-skilled’.

The subject of this report is employment and occupational skill level among UK and foreign nationals, rather than among the UK and foreign-born. From an immigration policy perspective, data on nationality are of most interest as many of those who were born abroad are not recent entrants, and have since gone on to obtain British citizenship. As recently published census data for England and Wales have shown, almost one-half of the non-UK born usually resident population held a UK passport in 2011 (Office for National Statistics, 2013b). In a long time-series, it is possible that some of those identified as foreign nationals at the start of the series have become British nationals by the end. However, this is not likely to distort the results here substantially, and a nationality-based definition will better represent migrant status at the time to which the analysis refers, and specifically those groups of individuals whose participation in the labour market will be controlled by immigration policies.

2. Employment

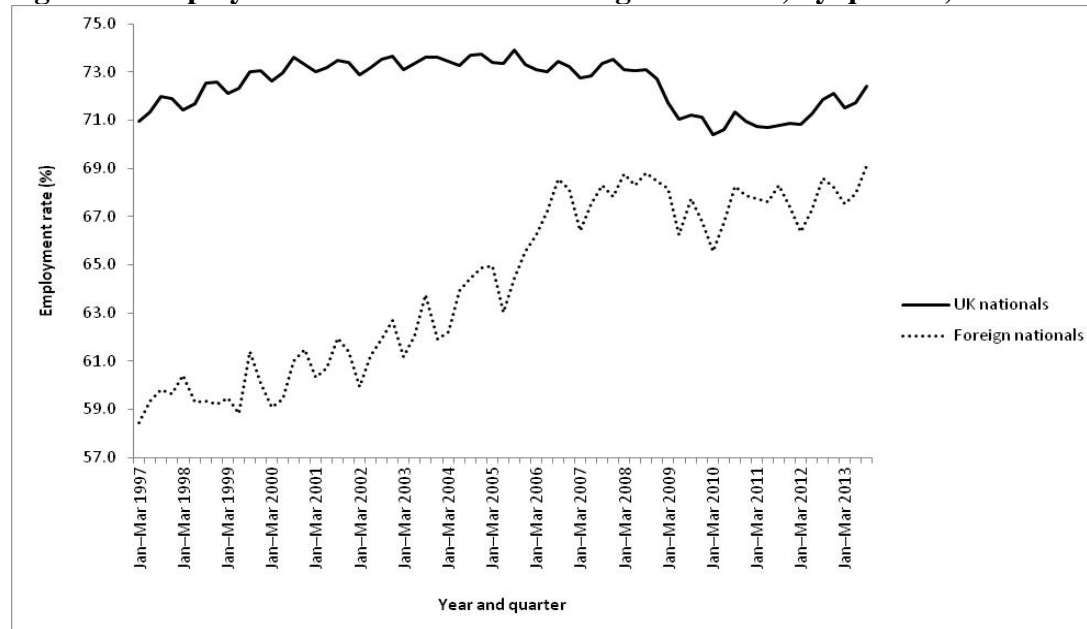
The onset of recession in 2008 led to a sharp fall in the overall employment rate in the UK; it fell from around 73 per cent before the recession to a low of 70 per cent at the start of 2010. The employment rate has generally been rising since the end of 2011, although it remains below its pre-recession level. However, this overall rate hides some important differences between the rates for UK and foreign nationals.

The employment rate of foreign nationals was considerably lower than that of UK nationals in the late 1990s, but has increased significantly since the EU8 accession in 2004, reflecting the impact of relatively high employment rates among the migrants from these countries.³ Figure 1 shows the employment rate for UK and foreign nationals from 1997–2013. Changes in the employment rate reflect both changes in

³ For example, the average employment rate for EU8 nationals since the second quarter of 2004 has been 81 per cent, compared with 72 per cent for British nationals, and 72 per cent for EU14 nationals. See Annex 1.

the number of people in employment, and changes in the size of the total working age population, through either demographic change or immigration and emigration. For foreign nationals, immigration and emigration will be particularly important contributors.

Figure 1: Employment rate for UK and foreign nationals, by quarter, 1997-2013



Source: Office for National Statistics (2013c), published data from the Labour Force Survey.

Notes: Employed men and women, aged 16–64. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable. Not seasonally adjusted.

The employment rate for foreign nationals rose by 7 percentage points, to 69 per cent, in the period between EU8 accession and the onset of recession in 2008, while that of UK nationals was relatively stable over the same period, at around 73 per cent. The start of the recession saw a reduction in the employment rate for both groups, but the rate among foreign nationals recovered to its pre-crisis level by the end of 2010, which may reflect increased emigration (for example, from some foreign workers returning to their country of origin) or reduced immigration during this period,⁴ as well as a recovering level of employment.

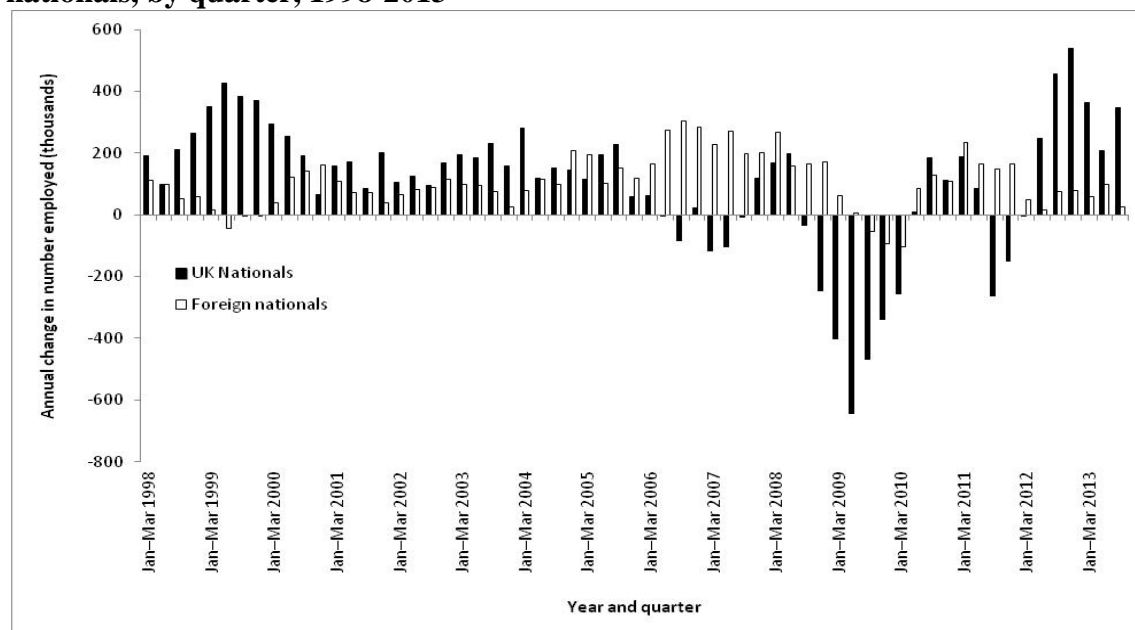
The employment rate among UK nationals has been persistently lower since the end of 2008, but remains around 3 percentage points higher than that of foreign nationals. Indeed, the two employment rates have been moving roughly in parallel since this time. The employment rate of UK nationals was 72.4 per cent during Q3 2013 (up from 71.9 per cent a year earlier), compared with 69.1 per cent for foreign nationals (up from 68.6 per cent a year earlier).

Foreign nationals accounted for much of the growth in employment in the UK over the last decade, particularly during the period following the EU8 accession in 2004. Figure 2 shows the change in the level of employment compared with the same quarter in the previous year, for UK nationals and foreign nationals, from 1998 to 2013. As the number of foreign nationals in the workforce is much smaller than the

⁴ ONS statistics on net migration show an increase in emigration for EU nationals between 2008 and 2010. Immigration levels declined slightly for both EU nationals between 2008 and 2010. The volume of immigrants and emigrants amongst non-EU migrants was constant over the period (Office for National Statistics, 2013b).

number of UK nationals, smaller changes in the level of foreign nationals can represent larger percentage changes.

Figure 2: Annual change in number employed, UK nationals and foreign nationals, by quarter, 1998-2013



Source: Office for National Statistics (2013c), published data from the Labour Force Survey.

Notes: Employed men and women, aged 16 and over. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

Figure 2 shows an extended period of growth in employment for both UK and foreign nationals from the late 1990s until the start of 2006. From 2006 until 2008 employment growth for foreign nationals was strong while growth was more variable for UK nationals.

UK nationals accounted for around 77 per cent of the total rise in employment from the late 1990s until EU8 accession in 2004.⁵ Between EU8 accession in 2004 and the last quarter prior to the recession (Q1 2008) this position reversed and foreign nationals accounted for over three quarters (78 per cent) of the total rise in employment. This high employment growth among foreign nationals coincided with higher levels of migration from the EU accession countries, and the corresponding rise in the employment rate of foreign nationals seen in Figure 1. Annex 2 shows that EU8 nationals accounted for half (53 per cent) of the total rise in employment among foreign nationals during this period.

The recession starting in 2008 was associated with a lower level of employment for both UK and foreign nationals. Employment change in the 2010–2011 period was more variable for UK nationals than for foreign nationals, among whom employment continued to grow. However, there has been a marked increase in the share of employment growth attributed to UK nationals from the second quarter of 2012 onwards, and a corresponding decrease in the share attributable to foreign nationals. UK nationals accounted for more than two thirds (68.5 per cent) of the growth in employment in the three years to July-September 2013, and 92 per cent of the total

⁵ As in the published ONS statistics, this is a proportion of a total that includes people who did not state their nationality.

rise in employment in the latest year (to the third quarter 2013). This is the sixth consecutive quarter in which UK nationals have accounted for the majority of annual employment growth.

3. Occupational skill level

This section discusses how employment at lower- and higher-skill levels⁶ has changed over the last decade, and within the last year. ‘Lower-skilled’ and ‘higher-skilled’ employment can be defined in several ways, but the definition used here accords with standards used by the ONS (see Appendix A) although other studies may adopt different definitions of skills for other purposes. The broad distinction in this study is that higher-skilled occupations require post-compulsory education, or equivalent experience. Changes in the number of people employed at different skill levels could be driven by changes in the supply of skilled labour from the UK and foreign national populations, or by changes in the demand for skills from UK employers.

Higher-skilled employment in the UK has been growing for most of the last decade, with a noticeable downturn during the recession in 2009. The picture for lower-skilled employment since 2002 has no clear pattern, and the contraction in this type of employment during the recession was more severe. As with the employment rate, however, the overall change in the levels of employment at each skill level hide differences between UK and foreign nationals.

Figure 3a shows the year-on-year change in the number of UK nationals and Figure 3b shows foreign nationals in lower-skilled and higher-skilled employment between 2003 and 2013. From 2003 until early 2011 lower-skilled employment has been falling consistently for UK nationals, while such employment has been growing among foreign nationals, apart from a small decline during the recession. The pattern in the period after the recession began in 2008 was somewhat more mixed, though higher-skilled employment recovered more quickly than lower-skilled employment among UK nationals, and the recovery in employment of foreign nationals was slightly more prevalent in low skilled employment.

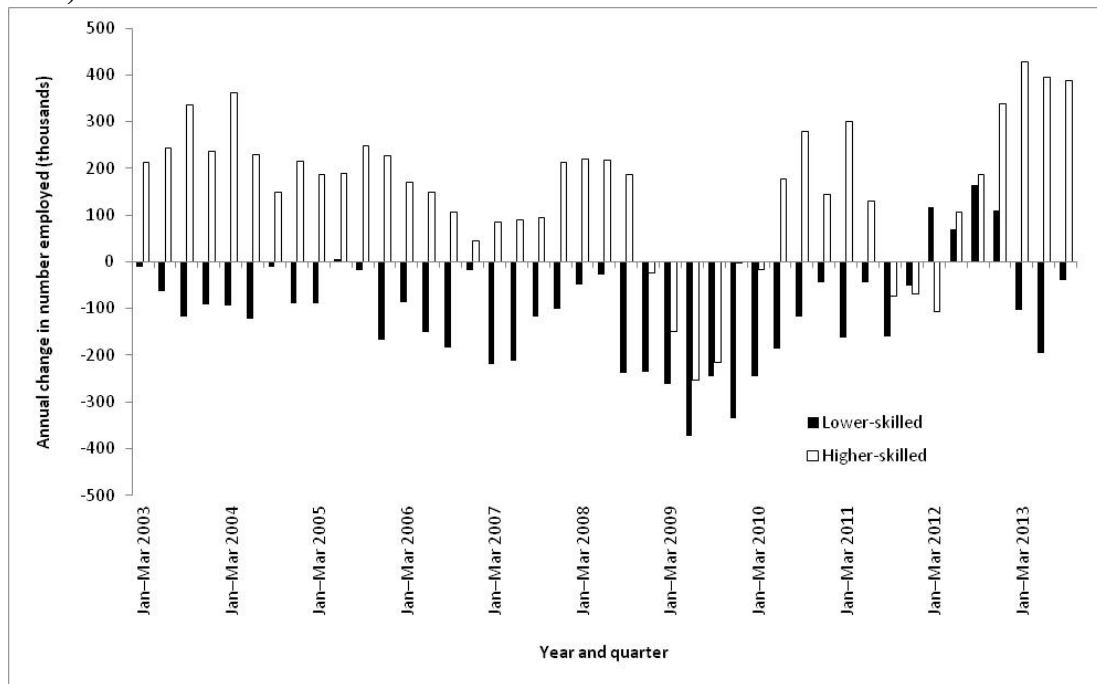
The fall in lower-skilled employment among foreign nationals between 2011 and 2012 was unusual given the trend over the last decade. The only other time it declined for more than a single consecutive quarter during this period coincided with the large overall contraction in employment in 2009 during the recession. The increase in lower-skilled employment for UK nationals in 2012 was also unusual. This was the first substantial rise in lower-skilled employment for UK nationals in a decade.

Over the past year the overall employment gain among UK nationals was in higher-skilled occupations. In the year to July - September 2013, higher-skilled employment increased by 387,000 while lower-skilled employment fell by 40,000. Employment growth among foreign nationals was much smaller and focused mainly in lower-skilled occupations, with an increase of 27,000, while foreign national employment in higher-skilled occupations increased very slightly, by 3,000.

⁶ It should be noted that in this analysis, references to ‘skills’ refer to the job in which someone is employed rather than the skill levels of the employee, which may be very different (for example, a graduate who is temporarily employed in a low-skilled job).

Figure 3: Annual change in number employed in lower- and higher-skilled occupations, by quarter, 2003-2013

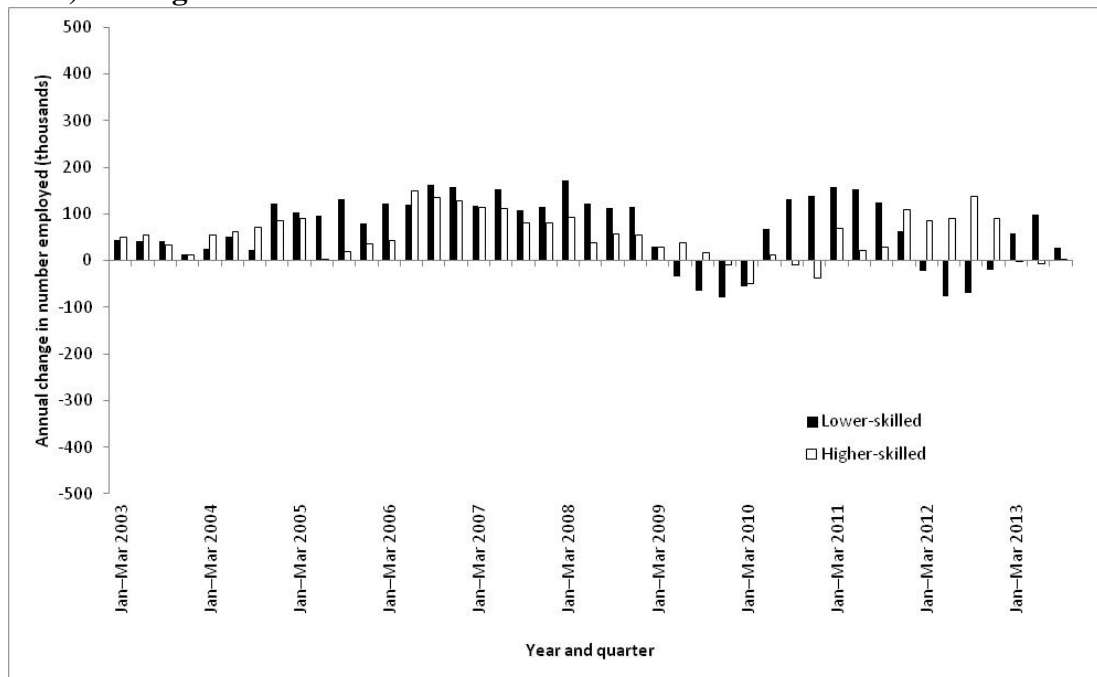
a) UK nationals



Source: Labour Force Survey.

Notes: Employed men and women, aged 16 and over. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

b) Foreign nationals



Source: Labour Force Survey.

Notes: Employed men and women, aged 16 and over. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

Figure 4 shows the year-on-year change in the number in lower-skilled and higher-skilled employment by nationality group (EU14, EU8, and non-EU) between 2003 and 2013. Small changes between individual quarters at this level of disaggregation should be interpreted with caution, since sample sizes are smaller than for overall employment levels.

Much of the rise in lower-skilled employment for foreign nationals over the last decade was due to EU8 nationals, although the number of EU8 nationals in lower-skilled employment has been fairly static since 2011. Lower-skilled employment also grew strongly among non EU nationals for most of the decade. The unusual falls in low skilled employment of foreign nationals seen in 2012 appear to be mainly due to nationals of non-EU countries. There has also been a rise in lower-skilled employment amongst nationals of the EU14, for example from countries that continue to be affected by the high unemployment such as nationals of Spain, Italy and Portugal. The number of national insurance registrations to Spanish, Italian and Portuguese nationals increased by 40 percent, 52 per cent and 45 per cent respectively in the year to September 2013. (DWP, 2013)

Higher-skilled employment also grew among EU8 nationals for much of the decade, though the majority of growth in higher-skilled employment among foreign nationals is attributable to non-EU nationals. Since the end of the recession, higher-skilled employment has grown strongly among EU14 nationals.

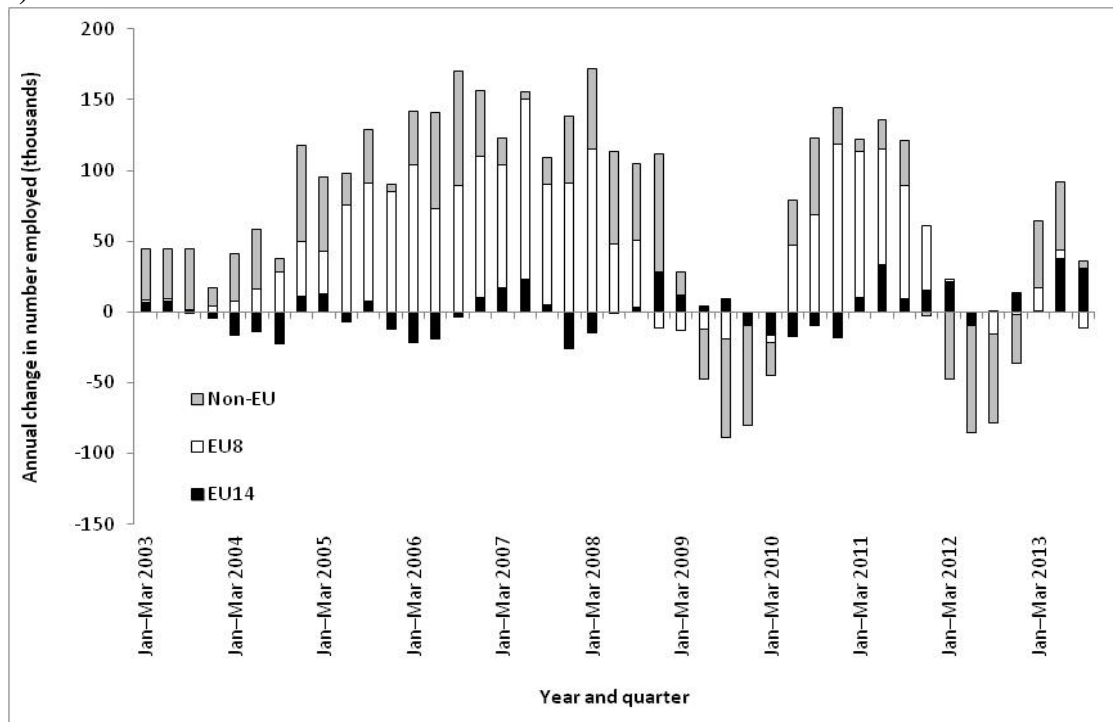
Over the year to July-September 2013, higher-skilled employment has increased among EU nationals, both EU14 and EU8, while it fell amongst non-EU nationals. Lower-skilled employment has risen mainly among EU14 nationals.

The apparent reduction in lower-skilled employment of non-EU nationals in 2012 and increase in higher-skilled employment among EU nationals in 2012-13 may partly reflect changes in the skill composition of the migrant inflow associated with recent policy tightening around the student and family-related migration routes. For example, study-related migration has been falling since mid-2011, and many of the non-EU migrants who came to the UK via this route in the past worked in lower-skilled jobs (Home Office, 2011a; 2013). There was also a small fall in family-related migration in 2012, and many previous migrants on this route also worked in low-paid jobs (Home Office, 2011b; 2013).

However, immigration policies will not be the only factor contributing to this change. Shifts within the UK labour market or in other factors that affect migration flows could also be important.

Figure 4: Annual change in number employed in lower- and higher-skilled occupations, foreign nationals, by quarter, 2003-2013

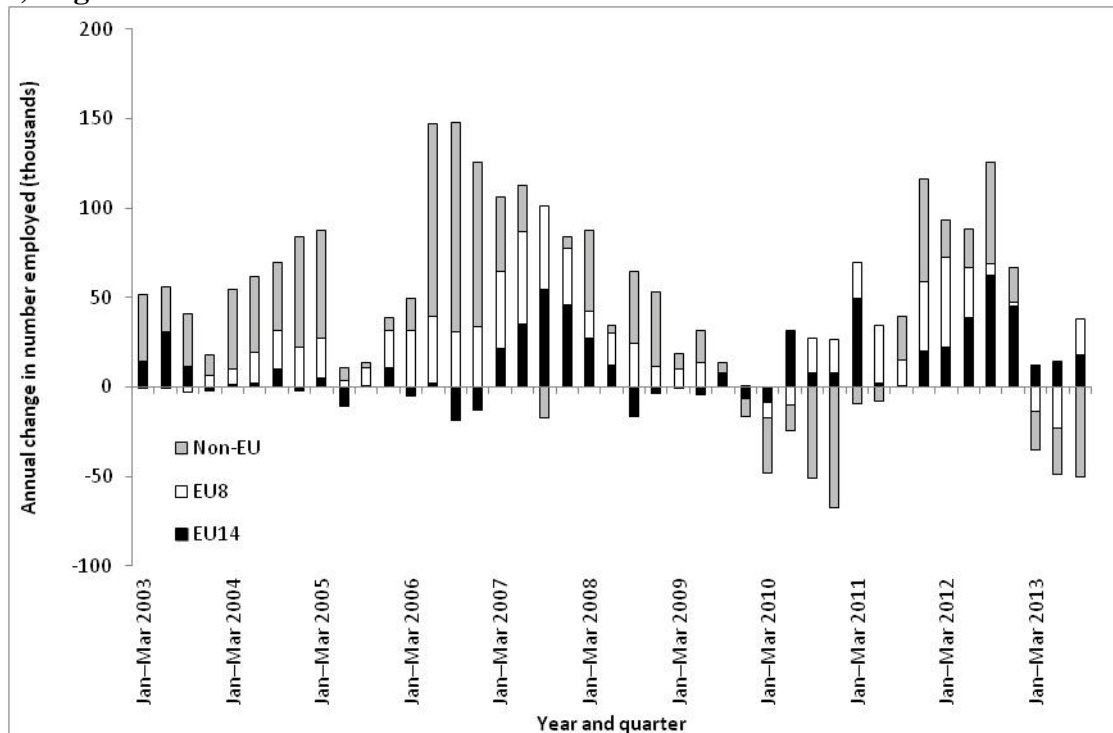
a) Lower-skilled



Source: Labour Force Survey.

Notes: Employed men and women, aged 16 and over. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

b) Higher-skilled



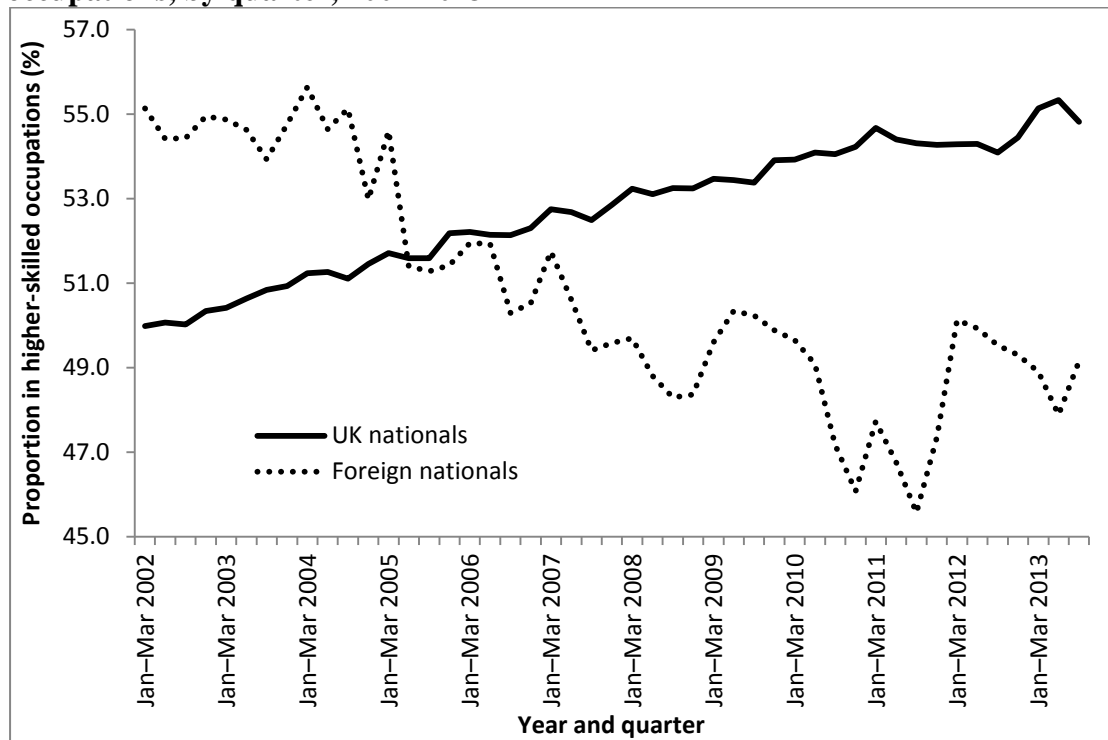
Source: Labour Force Survey.

Notes: Employed men and women, aged 16 and over. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

Figure 5 shows the proportion of all UK and foreign nationals who were employed in higher-skilled occupations between 2002 and 2013. The proportion of foreign nationals in higher-skilled occupations fell over this period, particularly in the period between 2004 and 2008. This change reflects the increased number of EU8 and non-EU nationals in lower-skilled work over this period, as seen in Figure 4. There was a rise in the proportion of foreign nationals working in higher-skilled occupations in the second half of 2011, back up to around 2009 levels. This reflects the falling number in lower-skilled work seen in Figure 3, combined with the simultaneous rise in the number in higher-skilled work.

The proportion of UK nationals working in higher-skilled occupations rose almost continuously until 2012, reflecting the patterns seen in Figure 3. The proportion of UK nationals in higher-skilled employment was stable over 2011–2012, reflecting simultaneous growth in lower- and higher-skilled employment. This was also the first sustained increase in lower-skilled employment for UK nationals over the last decade, although this emerging trend has not continued in 2013.

Figure 5: Proportion of employed UK and foreign nationals in higher-skilled occupations, by quarter, 2002-2013



Source: Labour Force Survey.

Notes: Employed men and women, aged 16 and over. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable. Not seasonally adjusted.

References

Department for Work and Pensions (2013) *Nino Registrations to Adult Overseas Nationals entering the UK* [online report]. London: Department for Work and Pensions. Available at: <https://sw.stat-xplore.dwp.gov.uk/webapi/jsf/dataCatalogueExplorer.xhtml> Accessed 29 January, 2014.

Home Office (2011a) *Reform of the Points Based Student (PBS) Immigration System* [online report]. London: Home Office. Available at: <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/policyandlaw/ia/reform-students-pbs/ia-students-.pdf?view=Binary> Accessed 1 May, 2013.

Home Office (2011b) *Family Migration: Evidence and Analysis* [online report]. London: Home Office. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/115900/occ94.pdf Accessed 29 April, 2013.

Home Office (2013) *Immigration Statistics: October to December 2012* [online report]. London: Home Office. Available at: <https://www.gov.uk/government/publications/immigration-statistics-october-to-december-2012/immigration-statistics-october-to-december-2012#work-1> Accessed 29 April, 2013.

Office for National Statistics (2010) *Standard Occupational Classification 2010, Volume 1: Structure and descriptions of unit groups*. Basingstoke: Palgrave Macmillan.

Office for National Statistics (2011) ‘Non-UK born workers – 2011’ [online]. Available at: http://www.ons.gov.uk/ons/dcp171776_234559.pdf [Accessed 17th April 2013].

Office for National Statistics (2012) ‘Graduates in the labour market, 2012’ [online]. Available at: http://www.ons.gov.uk/ons/dcp171776_259049.pdf [Accessed 17th April 2013].

Office for National Statistics (2013a) *Migration Statistics Quarterly Report*, February 2013 [online report]. Available at: http://www.ons.gov.uk/ons/dcp171778_300382.pdf Accessed 10 May 2013.

Office for National Statistics (2013b) *Detailed country of birth and nationality analysis from the 2011 Census of England and Wales* [online report]. Available at: http://www.ons.gov.uk/ons/dcp171776_310441.pdf Accessed 20 May, 2013.

Office for National Statistics (2013c) *Labour Market Statistics*, February 2013 [online report]. Available at: http://www.ons.gov.uk/ons/dcp171778_297429.pdf Accessed 17 April, 2013.

Appendix A: Details of lower- and higher-skilled occupations

Occupations are defined here as ‘lower-’ or ‘higher-skilled’ according to the Skill Level they are assigned in the Standard Occupational Classification (2010). Skill Levels 1 and 2 are defined as ‘lower-skilled’ and Skill Levels 3 and 4 are defined as ‘higher-skilled’. ‘Lower-skilled’ and ‘higher-skilled’ employment can be defined in several ways, but the definition used here accords with standards used by the ONS in its reports on non-UK born workers (Office for National Statistics, 2011), and graduates in the labour market (Office for National Statistics, 2012).

A full description of the criteria on which Skill Levels are assigned to occupations is available from the ONS (Office for National Statistics, 2010). However, the general distinction is that Skill Levels 3 and 4 require a body of knowledge associated with some kind of post-compulsory education, or equivalent experience. The occupational categories assigned to each Skill Level are listed below.

Table A1: Lower- and higher-skilled occupations

Lower-skilled:	Higher-skilled:
Administrative and secretarial	Managers, directors and senior officials
Caring, leisure and other services	Professional occupations
Sales and customer services	Associate professional and technical
Process, plant and machine operatives	Skilled trades occupations
Elementary	

Source: Office for National Statistics (2010), Labour Force Survey.

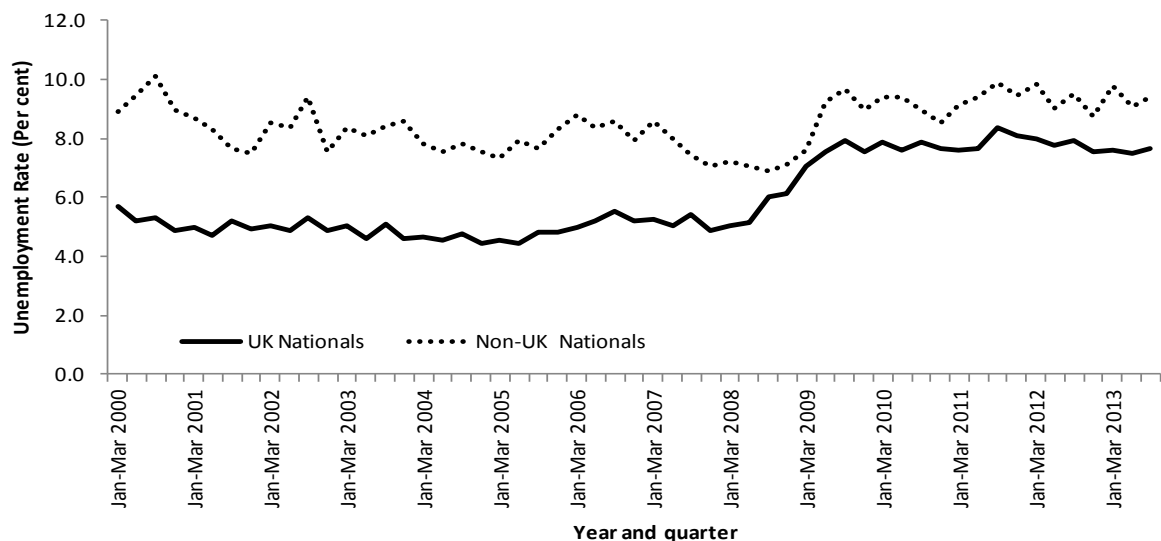
Appendix B: Details of unemployment and inactivity among UK and non-UK nationals

This appendix presents the unemployment and inactivity levels and rates of UK and non-UK nationals. Minimum publication threshold guidance, to ensure the reliability of the data, limits the number of categories presented.

Unemployment

- Unemployment rates of both UK and non-UK nationals increased quickly after the start of the recession in 2008. The rate of unemployment started to rise for UK nationals before it rose for non-UK nationals.
- The unemployment rate rose more for UK nationals after the onset of the recession. As a result, the gap between the unemployment rate of UK and non-UK nationals has narrowed.
- The slower and smaller rise in unemployment for foreign nationals may in part be due to some foreign nationals emigrating (or returning home) as a result of the economic conditions. The International Passenger Survey (IPS) estimate for the number of foreign long-term emigrants rose from 169,000 in the year-ending December 2007 to a peak of 255,000 in the year-ending December 2008.

Figure B1: Unemployment rates for UK and non-UK nationals, by quarters, 2000-2013



Source: Labour Force Survey.

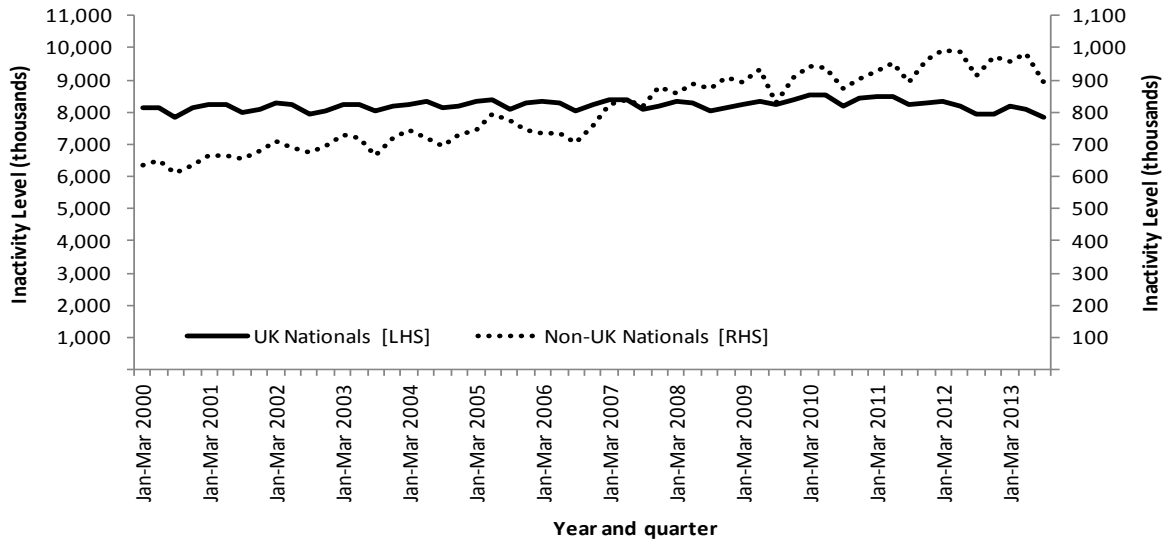
Notes: Unemployment rates of those aged 16 and over. See Statistical Annex for source figures. Smaller changes are less statistically reliable.

Inactivity

- Those classed as economically 'inactive' include people of working age (16-64) who are not looking for work; including those who are students, caring for their families, are sick or retired.
- Overall inactivity levels of UK nationals have been broadly level over the last decade, both during the period of economic growth prior to the 2008 recession and in the post-recession period.

- UK national inactivity levels appear to have started to fall since 2012, coinciding with strong employment growth for UK nationals. In the latest quarter (Q3 2013), inactivity levels of UK nationals are at its lowest level since Q3 2000 (7,823,000 in Q3 2013 compared to 7,860,000 in Q3 2000).

Figure B2: Inactivity levels for UK and non-UK nationals, by quarter, 2000-2013

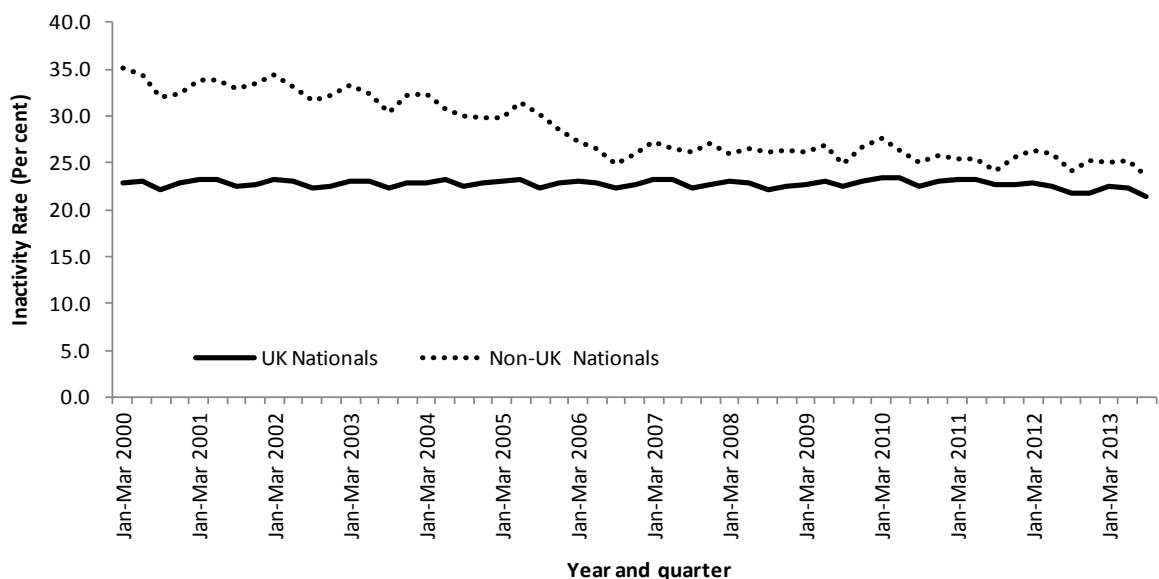


Source: Labour Force Survey.

Notes: Inactivity levels of those aged 16-64. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

- Inactivity levels of non-UK nationals have increased significantly over the last decade. In Q3 2003, 664,000 non-UK nationals were inactive. This had risen to 892,000 in the most recent quarter, Q3 2013.
- The inactivity rate of non-UK nationals (B3) has fallen over the same period as a result of the strong increase in the foreign population, especially those who are economically active – working or seeking work.

Figure B3: Inactivity rates for UK and non-UK nationals, by quarter, 2000-2013



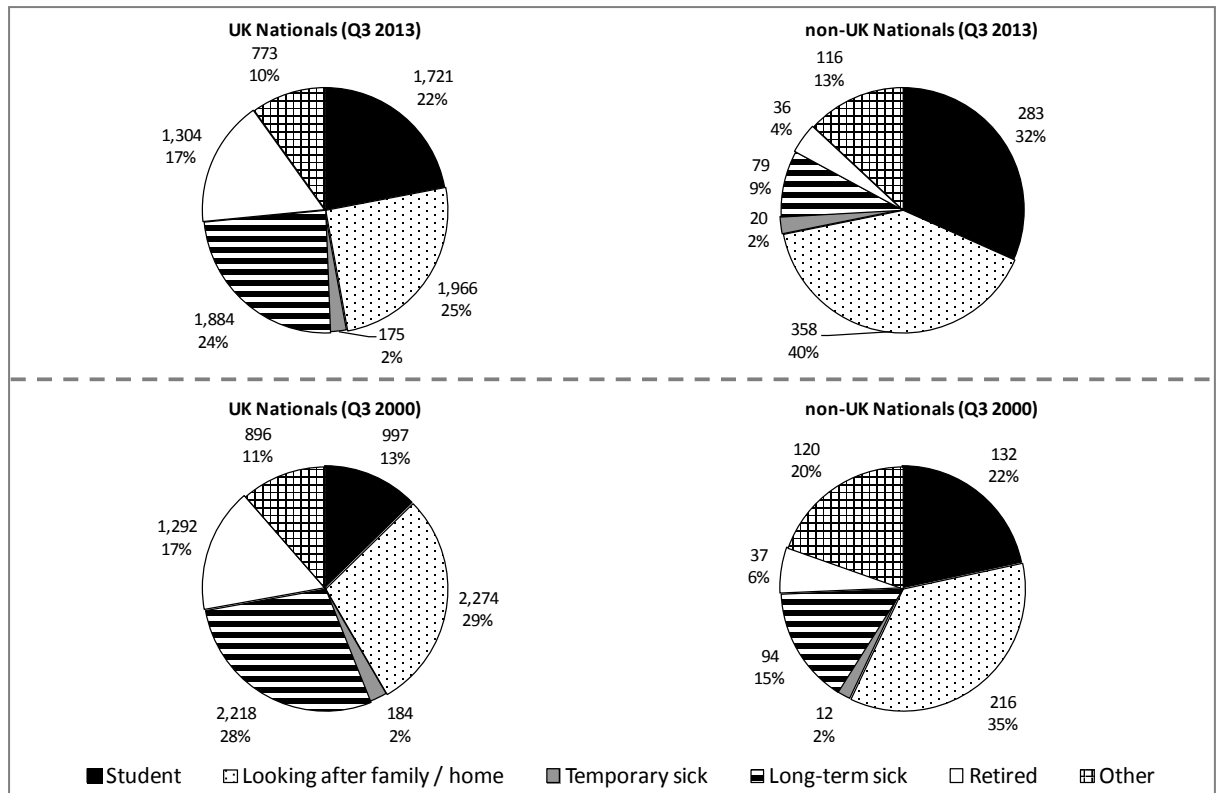
Source: Labour Force Survey.

Notes: Inactivity rates of those aged 16-64. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.

- Reasons for inactivity differ between UK nationals and non UK nationals (Figure B4):
 - For UK nationals, the main reason for inactivity is relatively evenly split between being a student, looking after a family member and long-term sick. In Q3 2013, these categories contribute 22 per cent (1,721,000), 25 per cent (1,966,000) and 24 per cent (1,884,000) respectively.
 - Non UK nationals are more likely to be either students (32 per cent) or looking after a family member (40 per cent) in Q3 2013.
- The small increase in the level of inactivity of UK nationals disguises a change in composition:
 - The proportion with a long-term illness has fallen; from around 28 per cent (2,218,000) in 2000 to 24 per cent (1,884,000) in Q3 2013.
 - The proportion of those looking after families has also fallen; from 29 per cent (2,274,000) in Q3 2000 to 25 per cent (1,966,000) in Q3 2013.
 - These falls have been offset by increases in the proportions who are students; this has risen from 13 per cent (997,000) in Q3 2000 to 22 per cent (1,721,000) in 2013.
- The composition of inactive non UK nationals has also changed over time; with those who are students and looking after families driving the increase in numbers:
 - The proportion of students has increased from 22 per cent (132,000) to 32 per cent (283,000) between Q3 2000 and Q3 2013.
 - The proportion of those looking after families has increased from 35 per cent (216,000) to 40 per cent (358,000) between Q3 2000 and Q3 2013.

Figure B4: Inactivity levels by reason for UK and Non-UK nationals, 2000 – 2013.

Labels show number of inactive in each category (thousands) and the proportion of the total.



Source: Labour Force Survey.

Notes: Inactivity levels of men and women, aged 16-64. 'Other' includes: discouraged workers, waiting for result on job application, not yet looking, doesn't need a job, no reason and other. Source figures are in the Statistical Annex. Smaller changes are less statistically reliable.