

Report based on research undertaken for the
Financial Times by the Migration Observatory



REPORT

Highly Skilled Migration to the UK 2007-2013: Policy Changes, Financial Crises and a Possible 'Balloon Effect'?

Published: 03/07/2014



www.migrationobservatory.ox.ac.uk

Executive summary

The idea that the UK's migration system should be focused on attracting 'the brightest and the best' migrants is not new. For several years UK government policy has emphasised the need to prioritise skilled over unskilled migration. However, there is little information about how highly skilled migration to the UK has changed in recent years, amidst key migration policy changes (e.g. introduction of the Points Based System, policies to decrease net migration) and relevant economic events (e.g. 2008–2009 downturn, Eurozone crisis). This report uses the UK Labour Force Survey, which provides rich information on the skill levels of workers in the UK, to provide insights on how highly skilled migration to the UK has changed during the 2007–2013 period. To this end, the analysis focuses on recent migrant workers (RMW) who are highly skilled, rather than the entire population, or 'stock', of migrant workers in the UK.

RMW are defined as individuals born outside the UK who are not UK nationals, have been in the UK for less than three years and are in employment. The focus of the report is the subset of RMW who are also 'highly skilled' – defined in terms of level of education and/or type of occupation. The year 2007 is used as the starting point in order to start the analysis before the late 2000s economic downturn. As a general rule, the lowest numbers of highly skilled RMW across most groups in this report were registered during 2010 and as a result much of the data is broken down into two sections 2007–2010 and 2011–2013 to allow the two periods to be scrutinised more clearly.

The analysis shows that the number of highly skilled RMW decreased between 2007 and 2013, whether 'skills' refer to higher education or to employment in top occupational categories. This does not indicate a reduction in the total number of highly skilled migrants working in the UK, but just a decline in those who arrived recently to the UK (i.e. a measure which reflects the recent inflow of highly skilled migrants). The decline was concentrated among non-EEA and A8 RMW; in fact, the number of highly skilled RMW who were 'Old EU' nationals actually increased during this time period.

Despite the decline in numbers of highly skilled RMW, there was an increase over the same time period in the proportion of RMW who are highly skilled. This reflects even greater reductions in the number of non-highly skilled RMW. The greater share of RMW comprised of the highly skilled was seen for non-EEA nationals and for A8 nationals, but not for nationals of Old EU countries, where the highly educated comprised about the same share of RMW in 2013 as in 2007.

The report also identifies what might be a crucial trade-off in migration policymaking: the 'balloon effect', in which restrictions on one type or source of immigration lead to an increase in immigration through another path. In this case, the balloon effect occurs if restricting admissions of highly skilled non-EEA nationals leads to an increase in the number of highly skilled EEA nationals working in Britain. This report does not prove that the balloon effect occurs, but it shows that this is a possibility worthy of further investigation and consideration by policymakers.

The data show a pattern consistent with a partial balloon effect. It is clear that 1) the number of highly skilled EEA RMW did increase while the number of highly skilled non-EEA RMW decreased, but 2) the increase in the number of highly skilled EEA RMW was not enough to completely cancel the drop in highly skilled non-EEA RMW. But, the report does not definite evidence to demonstrate whether the balloon effect or other causes are responsible for this pattern. During the period of consideration, there were multiple relevant events affecting highly skilled migration to the UK and our analysis does not distinguish the impacts of particular events or policy changes.

Alternative stories may account for this pattern in the data. The balloon effect would suggest that restrictions on non-EEA migration change the recruitment or hiring practices of UK employers and/or the potential for EEA nationals to come to the UK and find jobs here. Employers could increase recruitment and hiring from within the EEA, while EEA nationals could increasingly seek and/or find work in Britain. On the other hand, it could be that EEA migration and the likelihood of EEA migrants finding jobs in the UK are not affected at all by migration policy changes, meaning that highly skilled EEA RMW would have increased at the same rate regardless of policy changes. Given the lack of a counterfactual scenario, it is not possible to rule out this possibility.

Key statistics from the report

Highly educated RMW (left full time education at age 21 or later)

- The total number of highly educated RMW decreased from 338,000 in 2007 to 188,000 in 2010 (44% decrease), the lowest estimate for the 2007–2013 period. The number for 2013 was 242,000, a reduction of 28% compared to 2007 and a reduction of 10% compared to 2011. This does not indicate a reduction in the total stock of highly educated migrants working in the UK, but just a reduction in the recent arrivals (i.e. those migrant workers who arrived to the UK less than three years ago).
- The number of highly educated non-EEA RMW – this represents those who have been most affected by recent government policies designed to decrease net migration – decreased from 155,000 in 2007 to 109,000 in 2010, a 30% decrease. This number decreased further in 2013 to 94,000, a reduction of 39% compared to 2007 and a reduction of 39% compared to 2011.
- The number of highly educated Old EU RMW decreased from 61,000 in 2007 to 33,000 in 2010, a 46% decrease. The number increased to 78,000 in 2013, an increase of 28% compared to 2007 and an increase of 53% compared to 2011.
- The number of highly educated A8 RMW decreased from 111,000 in 2007 to 37,000 in 2010, a 67% decrease. This number was 54,000 in 2013, a reduction of 51% compared to 2007 and about the same value as 2011.

RMW in top occupations ('Managers, Directors and Senior Officials', 'Professional Occupations')

- The number of RMW in the top two major occupation groups (i.e. 'Managers, Directors and Senior Officials' and 'Professional Occupations') decreased from 125,000 in 2007 to 79,000 in 2010 (37% decrease), the lowest estimate for the 2007–2013 period. The number for 2013 was 97,000 a reduction of 22% compared to 2007 and a reduction of 6% compared to 2011.
- The number of non-EEA RMW in the top two major occupation groups decreased from 82,000 in 2007 to 49,000 in 2010 (40% decrease), the lowest estimate for the 2007–2013 period. The number for 2013 was 44,000 a reduction of 46% compared to 2007 and 32% compared to 2011.
- The number of Old EU RMW in the top two major occupation groups decreased from 31,000 in 2007 to 15,000 in 2010 (52% decrease), the lowest estimate for the 2007–2013 period. The number for 2013 was 45,000, an increase of 45% compared to 2007 and 50% compared to 2011.
- The number of A8 RMW in the top two major occupation groups is very small and estimates are not considered reliable for comparison across years.

Highly educated share of RMW

- The share of all RMW that is highly educated increased from 50% in 2007 to 60% in 2013. That is, the reduction in non-highly educated RMW was greater than the reduction in highly educated RMW for the 2007–2013 period.
- The share of non-EEA RMW that is highly educated increased from 58% in 2007 to 68% in 2013.
- The share of Old EU RMW that is highly educated saw little change, from an estimated 70% in 2007 to 69% in 2013.
- The share of A8 RMW that is highly educated increased from 36% in 2007 to 47% in 2013.

Key definitions:

- *Recent migrant workers (RMW)* = individuals born outside the UK who 1) are not UK nationals, 2) have been in the UK for less than three years, 3) are currently in employment (defined as employees, self-employed, working for a family business or working under a government scheme) and 4) are of working age (16-65 years of age for males, 16-61 years of age for females).
- *Highly educated recent migrant workers (Highly educated RMW)* = recent migrant workers who left full time education at age 21 or later. Occupation is not taken into consideration for the definition of highly educated RMW.
- *Recent migrant workers in top occupations (RMW in top occupations)* = recent migrant workers in the top two categories of the “major occupation groups” as defined in the UK Labour Force Survey: “Managers, Directors and Senior Officials” and “Professional Occupations”. This variable is derived from the information on the Standard Occupational Classification (SOC) hierarchy codes. Education is not taken into consideration for the definition of RMW in top occupations.
- *Highly skilled recent migrant workers (Highly skilled RMW)* = highly educated RMW and/or RMW in top occupations.
- *Non-EEA recent migrant workers (Non-EEA RMW)* = recent migrant workers who are nationals of countries which are not members of the European Economic Area (EU countries plus Iceland, Liechtenstein and Norway) and are not nationals of Switzerland.
- *Old EU recent migrant workers (Old EU RMW)* = recent migrant workers who are nationals of the 14 countries (aside from the UK) which were members of the EU before 2004.
- *A8 recent migrant workers (A8 RMW)* = recent migrant workers who are nationals of the countries which joined the EU in 2004, with the exception of Cyprus and Malta.

1. Introduction

For several years, UK government policy has emphasised the need to prioritise skilled over unskilled migration. This prioritisation is evident in the introduction of the Points Based System by the previous UK Labour government in order to “only allow into Britain the people and skills our economy needs” (Blair 2005) and the creation of multiple programmes by the current UK coalition government in order to encourage the “brightest and best innovators and entrepreneurs to choose Britain” (Cameron 2013). There is constant mention in policy circles about the need to win the ‘global race’, attract ‘the best experts’ and ‘exceptionally talented people’ (May 2012).

Since 2010, the UK government has been aiming to reduce net migration from the ‘hundreds of thousands’ to the ‘tens of thousands’. The net migration target of fewer than 100,000 includes migration of British and other EEA nationals whose entry and exit the UK government cannot restrict. Therefore, the UK government’s efforts to reduce net migration are built around the restriction of the three main migration inflow routes for non-EEA nationals – work, study and family – and efforts to boost outflows of non-EEA nationals. These policies are likely to affect the size and composition of the migrant workforce, and in particular highly skilled migrants, since there is no route open to low-skilled labour migration to the UK from outside of the EEA for work purposes. Tier 3 of the Points Based System was designed as a route for low-skilled non-EEA nationals to enter the UK for work purposes, but was never opened. As such, any efforts to reduce non-EEA migration are likely to involve cuts in the inflow of highly skilled non-EEA migrants to the UK.

On the other hand, restrictions on non-EEA highly skilled migration could also result in an increase in the number of highly skilled EEA workers in the UK. It is possible that recent UK government policies are having a balloon effect on highly skilled migration, where squeezing it at one end (i.e. restricting the number of non-EEA highly skilled workers) leads to an increased size at the other (i.e. inflating the number of EEA highly skilled workers).

The balloon effect would suggest that the restrictions on non-EEA migration affect the recruiting practices of UK employers and/or the opportunities for EEA migrants to find jobs in the UK. Employers may look to the EEA if they are not able to hire as many highly skilled workers as they would like from outside the EEA. The reduction in the supply of non-EEA workers may also create a vacuum in the labour market that could be filled by EEA workers. These workers could target the UK as a destination in response to the non-EEA migration restrictions or simply have an easier time finding jobs in the UK. For instance, the Eurozone crisis has increased the potential supply of highly skilled EEA nationals looking to find jobs in the UK, but the restrictions on non-EEA migration may have made it easier for these workers to find jobs in the UK.

The Balloon Effect

- *The effect:* restricting the number of non-EEA highly skilled workers leads to an increase in the number of EEA highly skilled workers.

Possible balloon effect reasons:

- *UK employers’ recruiting practices:* Employers hire more workers from the EEA in response to decreased availability of highly skilled workers from outside the EEA.
- *EEA workers have an easier time finding jobs in the UK:* The reduction in the supply of non-EEA workers may create space for EEA workers. This could directly lead to more immigration from EEA countries, or simply facilitate access to the labour market for those EEA nationals who are moving to the UK for other reasons (e.g. escaping the Eurozone crisis).

Lack of a counterfactual scenario:

On the other hand, it could be that EEA migration and the likelihood of EEA migrants finding jobs in the UK are not affected at all by UK migration policy changes. In this scenario, the number of highly skilled EEA RMW would have increased at a similar rate as the current one, even without any migration policy changes. Given the lack of a counterfactual scenario in which to observe the number of EEA RMW without the migration policy changes, it is not possible to discard this possibility.

We need more concrete evidence about the nature of recent EEA migration to the UK in order to make conclusions about the validity of the balloon effect story, and about which version is more important to explaining recent trends. This includes more information on the recruiting practices of UK employers and degree of substitutability between EEA and non-EEA workers. There is some suggestive evidence that the recruiting practices of UK employers play a part. For example, in a survey of employers conducted as immigration restrictions were getting underway (Chartered Institute of Personnel and Development 2011), one-third of employers indicated that they intended to respond to the government's new non-EEA migration restrictions by recruiting more EEA migrant workers.

Recent media stories have also suggested that in some sectors, such as the care sector, the composition of the migrant workforce has shifted, with EEA nationals comprising a growing share relative to non-EEA nationals. Yet, even if there is some response of EEA migration to a reduction in non-EEA migration, it is not clear that the size of the balloon (i.e. size of the recent migrant workforce) will remain the same. New recruitment within the EEA might only partially compensate for the reductions in non-EEA migration. And indeed, as the data show later in this report, the size of the increase in recently arrived EEA highly skilled workers have not been as large as the declines in non-EEA nationals in the same category.

There are factors other than migration policy that could have affected highly skilled migration to the UK in recent years. In particular, the 2008–2009 UK economic downturn is likely to have decreased the demand for highly skilled migrants from UK employers. The crisis in the Eurozone may have increased the potential supply of migrant workers, including the highly skilled, as Old EU nationals look for employment in the UK in the face of high unemployment rates in their home countries. The box below summarizes the key events affecting highly skilled migration during the 2007–2013 period.

In this context it is important to explore the dynamics of highly skilled migration to the UK and investigate how this flow has been affected by key migration policy changes (e.g. introduction of the Points Based System, policies to decrease net migration) and relevant economic events (e.g. 2008–2009 downturn, Eurozone crisis). However, there is little existing analysis of how highly skilled migration to the UK has changed over the last several years. This report takes advantage of the UK Labour Force Survey, which provides rich information on the skill levels of workers in the UK, to provide insights on how migration policy changes and other relevant events during the 2007–2013 period may have affected highly skilled migration to the UK. This is achieved by focusing the analysis on only recent migrant workers (RMW), rather than the entire population, or 'stock', of migrant workers in the UK.

RMW are individuals born outside the UK who are not UK nationals, have been in the UK for less than three years and are in employment. The focus of the report is on highly skilled RMW defined in terms of level of education (i.e. highly educated RMW) and/or type of occupation (i.e. RMW in top occupations). The year 2007 is used as the starting point in order to start the analysis before the introduction of the Points Based System in 2008 and the late 2000s economic downturn.

Key events affecting highly skilled migration during the 2007–2013 period

- *Introduction of the Points Based System in 2008:* Aimed to create a more effective migrant selection scheme that emphasised skills as criteria. Could have affected the supply of highly skilled non-EEA RMW by making the system more selective.
- *2008–2009 economic downturn:* likely to have decreased the demand for highly skilled RMW.
- *Policies related to current goal of the UK government to decrease net migration:* Likely to have decreased the supply of non-EEA workers by making migration more restrictive. Some evidence suggests that it may have encouraged more UK employers to look for highly skilled workers in EEA countries. It could also have increased opportunities for EEA highly skilled workers in the UK.
- *Eurozone crisis:* Likely to have a positive impact on the supply of highly skilled EEA RWM as more Old EU nationals react to the economic difficulties of the Eurozone and look for better employment opportunities in the UK.

The report places particular emphasis on three key questions:

1. How did the number of highly skilled RMW change during the 2007–2013 period? The report compares results for four different groups of highly skilled RMW (i.e. all RMW, non-EEA RMW, Old EU RMW and A8 RMW) and with different definitions of highly skilled RMW (i.e. based on educational levels and type of occupation).
2. How has the skilled composition of the UK recent migrant workforce changed during the previous six years? It is important to understand if the new migrants are more or less skilled and if these changes are driven by the increase or decrease in the skilled composition of particular migrant groups.
3. What are the key policy changes and economic events that may have affected the skilled composition of the UK migrant workforce? While it is challenging to present evidence of causal relationships between particular policy changes or events and changes in the skilled composition of the recent migrant workforce, it is possible to overlap the timing of particular changes in the recent migrant workforce with major policy changes and other events.

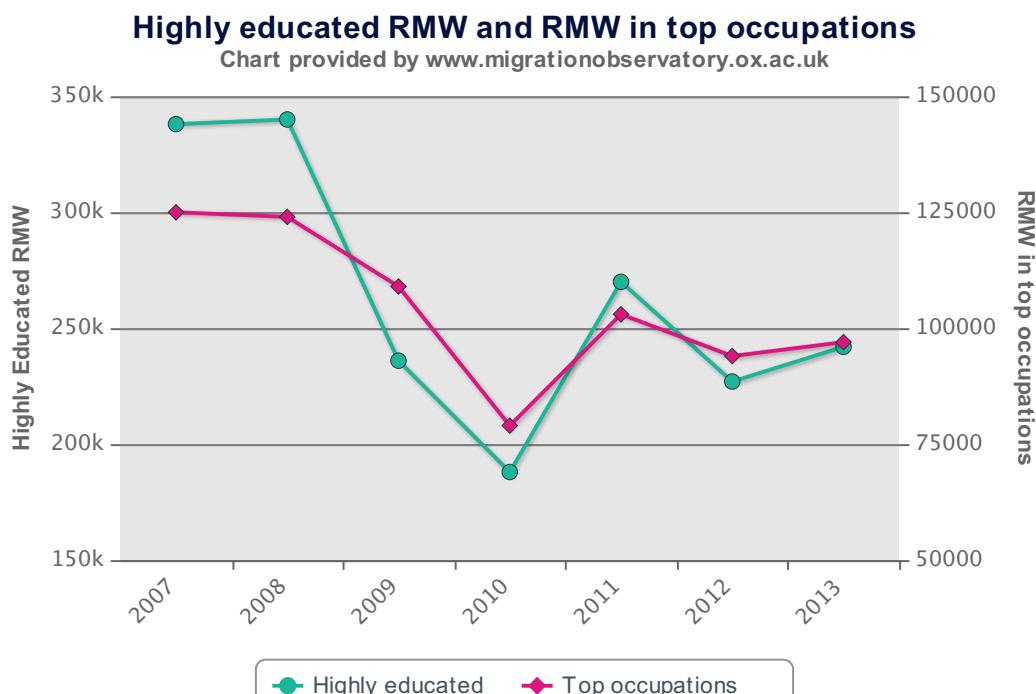
While evaluating the evidence presented below, it is important to keep in mind that the focus of this report is on highly skilled ‘recently arrived migrant workers’ or RMW, rather than the whole population of highly skilled migrants living in the UK. Evidence of a reduction in the number of RMW does not indicate a reduction in the total number of highly skilled migrants working in the UK, but just a reduction in the number who arrived recently (i.e. a measure which reflects the recent inflow of migrants).

2. Key findings

Below is a summary of some of the important data points provided in the report, showing how the population of different types of RMW have changed between 2007 and 2013.

The analysis finds a 28% decrease in the number of highly educated RMW during the 2007–2013 period (see Figure 1). This does not indicate a reduction in the total number of highly educated migrants working in the UK, but just a reduction in those who arrived recently in the UK (i.e. a measure which reflects the recent inflow of highly educated migrants). During the same period the number of RMW in top occupations decreased by 22%.

Figure 1



Source : Authors' analysis of the UK Labour Force Survey, Q4.

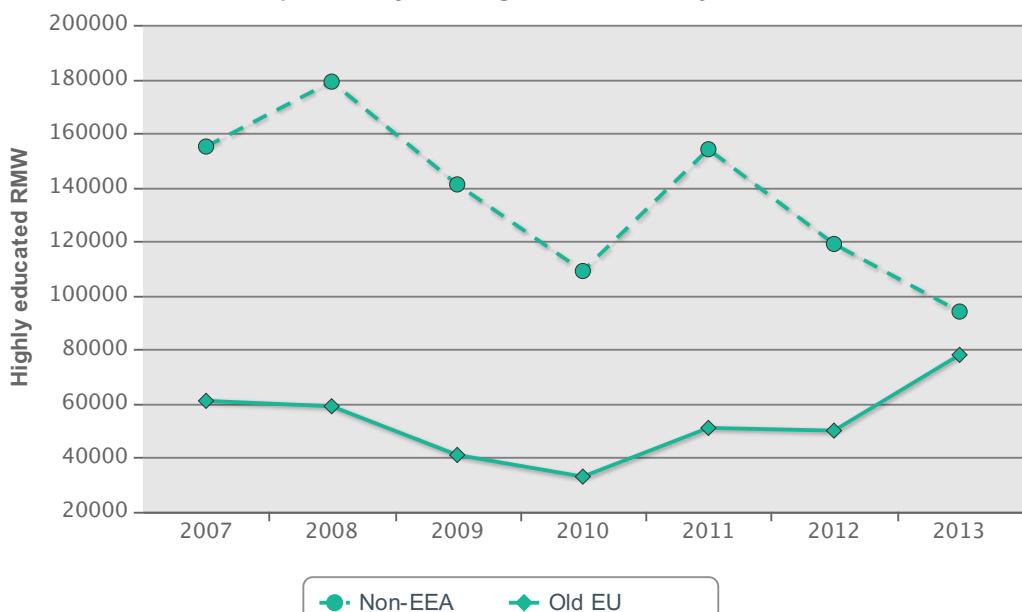
The decrease in highly skilled RMW was particularly large for the number of highly educated non-EEA RMW and number of non-EEA RMW in top occupations. As shown in Figures 2 and 3, there are particular decreases in highly skilled non-EEA RMW after 2008 and 2011. While it is not possible to attribute these decreases to any particular policy changes and we do not aim to separate the impact of the policy changes from other relevant factors (e.g. 2008–2009 downturn, Eurozone crisis), these periods coincide with the introduction of the Points Based System by the Labour government (2008) and the point at which most policies related to current goal of the UK government to decrease net migration came into effect (2011).

The number of highly skilled Old EU RMW decreased substantially from 2007 to 2010. Since 2011 there has been a marked increase in the number of highly skilled RMW from Old EU countries (see Figures 2 and 3). Hence, while the number of highly skilled non-EEA RMW has decreased since 2011, the number of highly skilled Old EU RMW has increased. This may be representative of the balloon effect discussed above, where one end (i.e. non-EEA highly skilled RMW) has been squeezed and the other end (i.e. Old EU highly skilled RMW) has increased in size. However, there has not been a full replacement of non-

Figure 2

Non-EEA and Old EU highly educated RMW

Chart provided by www.migrationobservatory.ox.ac.uk

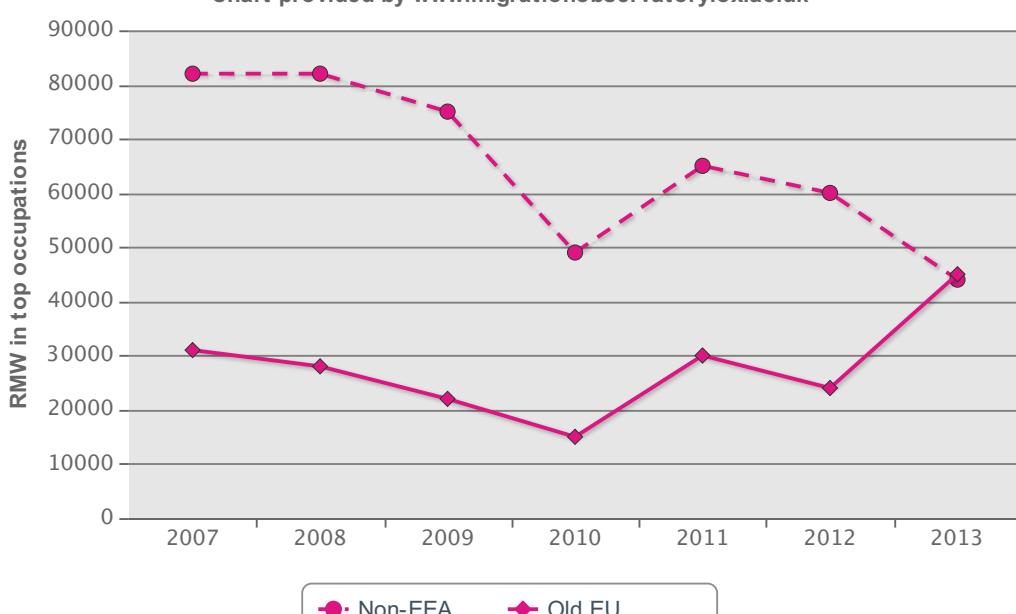


Source : Authors' analysis of the UK Labour Force Survey, Q4.

Figure 3

Non-EEA and Old EU RMW in top occupations

Chart provided by www.migrationobservatory.ox.ac.uk



Source : Authors' analysis of the UK Labour Force Survey, Q4.

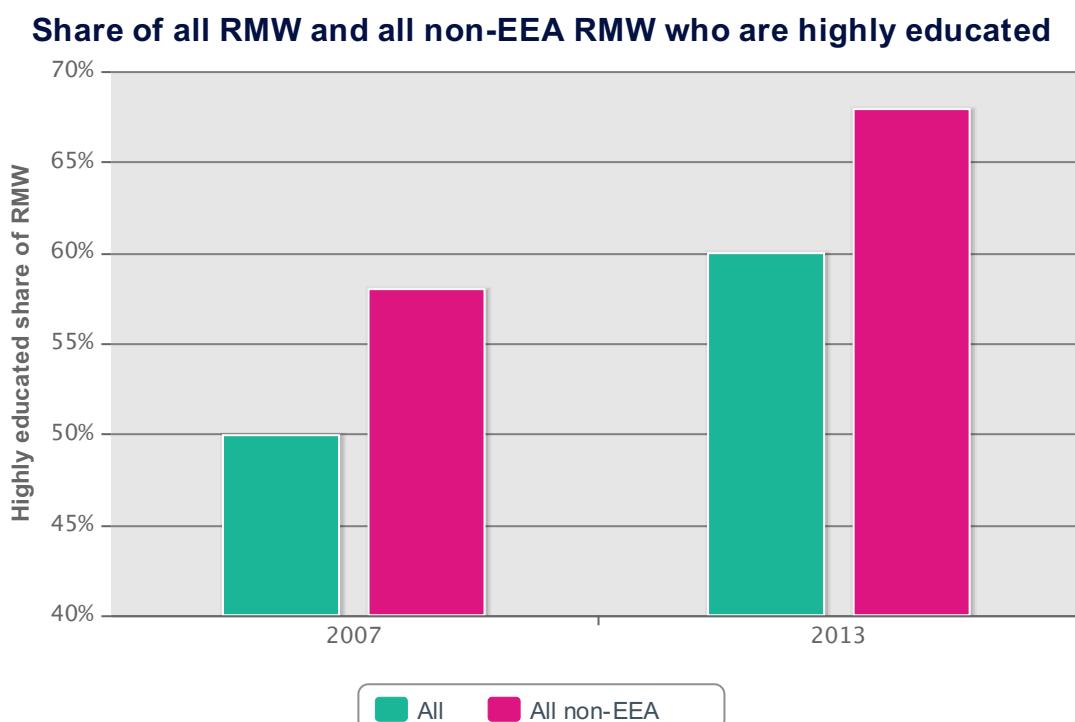
EEA highly skilled RMW by Old EU highly skilled RMW, which suggests that the overall size of the balloon (i.e. highly skilled recent migrant workforce) has shrunk since 2007.

The mechanisms by which the number of highly skilled non-EEA and Old EU RMW relate remain unclear. It is likely that the increase in highly skilled Old EU RMW in the UK is driven by external factors, such as the Eurozone crisis, which have increased the supply of these workers by encouraging more Old

EU nationals to look for employment opportunities in the UK. However, the increasing restrictions on non-EEA migration may provide additional opportunities for highly skilled Old EU workers to get jobs in the UK. The increase in the number of highly skilled Old EU RMW could also have been propelled further by a rise in the demand for these workers as UK employers adjust to the additional restrictions on non-EEA migration and look for highly skilled workers in EEA countries.

During the 2007–2013 period the share of all RMW who are highly educated increased (see Figure 4). That is, the reduction in non-highly educated RMW during 2007–2013 was greater than the reduction in highly educated RMW. The increase was particularly noticeable in the share of non-EEA RMW who are highly educated, including those in top occupations.

Figure 4



Source : Authors' analysis of the UK Labour Force Survey, Q4.

The report also looks at the number of highly skilled A8 RMW. While there is a considerable number of A8 RMW with high levels of education, the share of highly educated A8 RMW is considerably lower than that of non-EEA and Old EU RMW and the share of highly educated A8 RMW in top occupations is very small.

3. Policy changes and highly skilled workers

There have been numerous migration policy changes during the 2007–2013 period (see Appendix A for a list of ten key changes, along with dates of implementation). These changes can be divided into two broad categories: 1) those related to the introduction of the Points Based System (2008–2009) which aimed to create a more effective migrant selection scheme that emphasised skills as a criteria in order to "attract the brightest and the best from across the world, while at the same time being more robust against abuse" and 2) those related to the goal of the current UK government to decrease net migration to less than 100,000 in order to have migration "at levels our country can manage" while at the same time reaffirming that "Britain will always be open to the best and brightest from around the world".

A key goal of this report is to shed some light on the possible impact of these policy changes and other events on the skills composition of new migrants to the UK. For this reason, this report focuses on highly skilled migrants who

have been in the UK for less than three years. Since available data on arriving migrants (i.e. from the International Passenger Survey) do not include measures of skills, we examine RMW using the Labour Force Survey, which examines the general population of Britain including migrants, and includes measures of skills. The number of highly skilled RMW in any given year should have a strong correlation with highly skilled migration inflows of the previous three years. Migration policies should not have a major impact on those highly skilled migrants who have been in the UK for a long period, as many of those originally in need of a permit to work in the UK would have obtained or be close to obtaining indefinite leave to remain in the UK.

Nonetheless, it is challenging to present evidence of a direct link between policy changes during the previous years and the characteristics of the UK migrant workforce, for a number of reasons. First, some policy changes could have cumulative effects over time. For instance, a policy change which restricts the right of non-EEA students to work in the UK following graduation may only have a long-term effect on the skilled composition of the migrant workforce. Perhaps more fundamentally, simultaneous changes in many other factors, such as economic conditions in the UK relative to the migrants' countries of origin, are likely to impact the composition of the highly skilled migrant workforce. For example, the economic downturn beginning in late 2008 is likely to have had significant impacts on labour migration; moreover, the downturn occurred at a time when its effects overlapped with the impacts of policy changes by both Labour and coalition governments (see Appendix A) undertaken just prior to and during the downturn.

Finally, there is also the possibility that policies directed at one group of migrants affect another group. Highly skilled migrant workers come to the UK using different channels and for different reasons. Of particular importance is the difference between EEA nationals, who have unrestricted access to the UK labour market, and non-EEA nationals, who need a visa in order to work in the UK. Non-EEA nationals working in the UK may come under work visas, but may also come under different routes. For instance, many non-EEA students work while in the UK, and a share stays working in the UK after finishing their studies. Other non-EEA nationals may accompany family members when they migrate to the UK (i.e. dependants) or may come to join their family members later on. There is not a single route for non-EEA highly skilled migration to the UK and policies affecting different routes (e.g. work, study, family) may affect the number of highly skilled non-EEA migrant workers in the UK. Even in the face of all these limitations, it is still possible and interesting to examine how the major policy changes during the 2007–2013 period overlap with changes in the composition of the recent migrant workforce, in order to shed some light on these relationships.

4. Data and methodology

The analysis in this report uses data from the UK Labour Force Survey (LFS) for the years 2007–2013. The LFS, which is conducted by the UK Office for National Statistics (ONS), is the largest household survey in the UK and is designed to be representative of the working age population of the country. The analysis uses data from the fourth quarter of each year of the LFS. By comparing each year to the same quarter of previous years, the analysis controls for the potential effect of seasonal changes in the data.

A key methodological issue for this report is the definition of skills. In the context of labour markets, relevant skills are difficult to define. In particular, 'soft' skills, such as creativity, communications skills, or empathy, may have an important role to play in many jobs, and therefore in many hiring decisions, but are difficult to measure and quantify. In order to have clear measures of who counts as a highly skilled migrant, this report defines skills more conventionally, in terms of levels of formal education and/or type of occupation.

Several indicators in the LFS are typically used to assess the skill level of a worker: formal qualifications, the skill level defined in the Standard Occupational Classification (SOC) hierarchy and earnings. These three indicators are the ones used by the Migration Advisory Committee (2012) to evaluate the consequences of raising the skill level required to qualify under the Tier 2 category of the Points Based System. This report employs two of these three indicators: qualifications and SOC hierarchy. Separate analysis of earnings data was considered but this information

is only collected in two out of five waves in the LFS, corresponding to just about 40% of the respondents of the LFS who are employees in any given quarter.

Following the previous literature (e.g. Dustmann et al. 2010, Wadsworth 2010), this report uses the age at which the person left full-time education as a proxy for level of education. The LFS also provides educational attainment measures, but these are based on the UK educational system and may fail to accurately reflect migrants' qualifications. The analysis defines highly educated migrants as those who left full-time education at age 21 or later (which roughly corresponds to at least an undergraduate university degree, but includes individuals with advanced degrees also). Many highly educated RMW are not doing highly skilled jobs, since RMW often downgrade upon their arrival resulting in a mismatch between occupations and educational levels (Dustmann et al. 2013). This mismatch may be due to the lack of UK specific human capital, poor English skills and non-recognition of qualifications. This is likely to especially be the case for recent migrants.

The SOC is a classification of jobs in terms of their skill level and content. The analysis considers those migrants in the top two categories of the 'major occupation groups' as defined in the LFS ('Managers, Directors and Senior Officials' and 'Professional Occupations') as working in top occupations. The requirements for an occupation to be included by the ONS in these groups are as follows:

Managers, Directors and Senior Officials: A significant amount of knowledge and experience of the production processes and service requirements associated with the efficient functioning of organisations and businesses.

Professional Occupations: A degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training.

The analysis focuses on RMW. This group is defined as individuals born outside the UK who 1) are not UK nationals, 2) have been in the UK for less than three years, 3) are currently in employment (defined as employees, self-employed, working for a family business or working under a government scheme) and 4) are of working age (16–65 years of age for males, 16–61 years of age for females).

The analysis presents further distinctions based on nationality: non-EEA, Old EU and A8. Non-EEA RMW refers to those who are nationals of countries that are not members of the European Economic Area (EU countries plus Iceland, Liechtenstein and Norway). We also exclude Switzerland from the non-EEA group given that Swiss nationals do not need a permit to work in the UK. Old EU RMW refers to those who are nationals of the 14 other countries that were members of the EU before 2004. A8 RMW refers to those who are nationals of the countries that joined the EU in 2004, with the exception of Cyprus and Malta.

5. The recently arrived highly skilled migrant workforce of the UK

5.1 Overall

The top portion of Table 1 reports the total number of highly skilled RMW in the UK in each year from 2007 to 2013, and under slightly different definitions of who counts in this highly skilled group. Column (1) reports numbers for highly educated workers, without distinctions by type of employment. The overall number of highly educated RMW increased from 338,000 in 2007 to 340,000 in 2008, the peak for the period in the table. The lowest estimate for the period was 188,000 in 2010, a 44% reduction compared to 2007, but numbers increase and stabilise from 2011 onwards. The number for 2013 was 242,000, corresponding to a reduction of 28% since 2007 and 10% since 2011.

The bottom portion of Table 1 reports the share of all RMW who are highly educated. Despite the reduction in absolute numbers of highly educated RMW during the 2007–2013 period, the RMW population has become more

educated in its composition. The share of all RMW who are highly educated has increased from 50% to 60%. This suggests that the reduction in non-highly skilled migration has been greater than the reduction in highly skilled migration.

Columns (2) to (5) of Table 1 present the analysis for subsets of those in Column (1). Column (2) excludes anyone who is studying, Column (3) limits the analysis to those who are in full time employment, Column (4) limits the analysis to those who are employees, while Column (5) limits the analysis to those in the top two categories of the major occupation groups: ‘Managers, Directors and Senior Officials’ and ‘Professional Occupations’. Finally, Column (6) shows RMW in the top two major occupation groups (from all educational backgrounds).

Column (2) shows that the prominence of students in the highly skilled recent migrant workforce has decreased in recent years. Excluding those who are studying from the analysis decreases the total number of highly skilled RMW in any given year by 9% to 22%, but the reduction is greater for the year 2010 (22%) and smaller for the year 2013 (9%), showing the trend over time toward a RMW group in which students make up a smaller share. Excluding students from the analysis also means that the number of non-student highly skilled RMW was 2% higher in 2013 relative to 2011 (i.e. 218,000 for 2011 versus 221,000 in 2013), whereas the numbers including students showed a decline over the same period (from 270,000 to 242,000 in Column [1]), during which coalition government policies had their effects.

The overall number of highly educated recent migrants working full time has decreased considerably during the 2007–2013 period (by 27%), as Column (3) shows. Meanwhile, the number of highly educated recent migrants who were employees in 2013 is 28% lower than that of 2007 and 10% lower than that of 2011, as shown in Column (4).

Column (5) shows a 14% reduction in the number of highly educated RMW who are in top occupations since 2007 (from 95,000 in 2007 to 82,000 in 2013). Column (6) provides numbers for RMW in top occupations from all educational backgrounds. This number has decreased by 22% since 2007 (from 125,000 in 2007 to 97,000 in 2013). Most of this reduction took place during the 2007–2010 period (37% decrease).

Again, the picture changes when looking at the composition of RMW rather than overall numbers. The share of all RMW who highly educated has increased across all columns of Table 1 by at least ten percentage points since 2007 (i.e. 2007 vs. 2013). For RMW in top occupations this share has increased from 76% to 85%. Hence, non-highly skilled migration has decreased more than highly skilled migration across all the subgroups.

Table 1 – All highly skilled RMW (thousands)

	Highly Educated					All educational levels
Year	All (1)	No students (2)	Full time (3)	Employees (4)	Top occupations (5)	Top occupations (6)
2007	338	290	270	315	95	125
2008	340	281	258	319	107	124
2009	236	204	180	211	89	109
2010	188	147	138	177	62	79
2011	270	218	209	251	89	103
2012	227	202	183	202	83	94
2013	242	221	197	226	82	97
	Highly educated share of RMW					
2007	50%	47%	48%	50%	76%	
2013	60%	59%	60%	62%	85%	

Note: Column (1) includes highly educated in all types of employment. Column (2) same as Column (1) but excludes anyone who is studying. Column (3) same as Column (1) but only includes those who are in full time employment. Column (4) same as Column (1) but only includes those who are employees. Column (5) same as Column (1) but only includes those in the top two major occupation categories. Column (6) includes those in the top two major occupation categories, regardless of level of education. Source: authors' estimates from the UK Labour Force Survey, Q4.

5.2 Non-EEA

Table 1 shows that the main reduction in the size of the highly educated recent migrant workforce occurred during the 2007–2010 period, which is before the implementation of key coalition government policy changes intended to reduce net migration to the UK. But these policy changes, as mentioned in Section 3, were directed at non-EEA migration. EEA nationals enjoy free movement to the UK and the UK government cannot impose limitations on their migration. Therefore, it is important to look separately at non-EEA nationals, as the group subject to the sorts of restrictions on migration that have been implemented by the current government.

To this end, Table 2 presents a similar analysis to Table 1 but with a focus only on those from outside the EEA. The overall number of highly educated non-EEA RMW has decreased by close to 39% for the whole period (from 155,000 in 2007 to 94,000 in 2013). The number was particularly low in 2010, possibly reflecting the economic downturn in 2008–09, before increasing in 2011. There has been a negative trend in this number since 2011, when policies to reduce net migration to the UK presumably began to have the bulk of their effects. The number has decreased by 39% since that year.

The number of non-EEA RMW in top occupations decreased by close to 50% for the whole period (from 82,000 to 44,000). The biggest reduction took place during the 2007–2010 period (40%). The number has decreased by 32% since 2011. There has been a similar decrease since 2011 for those in top occupations who are also highly educated.

The share of all non-EEA RMW who are highly educated has increased from 58% to 68%. In the case of non-EEA RMW in top occupations, this share has increased to 87% in 2013 from 75% in 2007. Again, despite decreasing raw numbers, RMW have become more rather than less likely to be highly educated.

Table 2 – Highly skilled non-EEA RMW (thousands)

	Highly Educated					All educational levels
Year	All (1)	No students (2)	Full time (3)	Employees (4)	Top occupations (5)	Top occupations (6)
2007	155	129	112	145	62	82
2008	179	143	117	172	70	82
2009	141	120	99	128	59	75
2010	109	82	76	106	42	49
2011	154	117	109	148	56	65
2012	119	104	91	110	53	60
2013	94	84	75	93	38	44
	Highly educated share of all non-EEA RMW					
2007	58%	55%	56%	58%	75%	
2013	68%	66%	67%	70%	87%	

Note: Column (1) includes highly educated in all types of employment. Column (2) same as Column (1) but excludes anyone who is studying. Column (3) same as Column (1) but only includes those who are in full time employment. Column (4) same as Column (1) but only includes those who are employees. Column (5) same as Column (1) but only includes those in the top two major occupation categories. Column (6) includes those in the top two major occupation categories, regardless of level of education. Source: authors' estimates from the UK Labour Force Survey, Q4.

5.3 Old EU

Table 3 repeats the same analysis of Tables 1 and 2, but for Old EU nationals. The number of highly skilled Old EU RMW decreased from 61,000 in 2007 to 33,000 in 2010, a 46% decrease. Yet, this number increased to 78,000 in 2013, a 28% increase since 2007 and 53% increase since 2011. There was a particularly large increase during 2013. This coincides with the evidence from other sources (e.g. ONS 2014) which indicate an increase in immigration to the UK for work purposes from countries which have been seriously affected by the Eurozone crisis (e.g. Spain, Italy).

The number for highly educated Old EU RMW is actually higher in 2013 than in 2007 across all columns of Table 5, including the columns for those in the top categories of the major occupation groups. The number of recent Old EU migrants in top occupations has increased by 45% since 2007 and 50% since 2011. The number of recent Old EU migrants in top occupations who are also highly educated has increased by 70% since 2007 and 39% since 2011. The share of all Old EU RMW who are highly educated was similar in 2007 and 2013. Close to 70% of Old EU RMW were highly educated. As with the case of non-EEA RMW this share is particularly large for those in top occupations (87% up from 75% in 2007).

Table 3 – Highly skilled Old EU RMW (thousands)

	Highly Educated					All educational levels
Year	All (1)	No students (2)	Full time (3)	Employees (4)	Top occupations (5)	Top occupations (6)
2007	61	53	50	60	23	31
2008	59	53	50	55	25	28
2009	41	36	34	37	20	22
2010	33	26	27	30	10	15
2011	51	46	45	46	28	30
2012	50	46	43	47	21	24
2013	78	72	65	75	39	45

	Highly educated share of all Old EU RMW					
2007	70%	69%	70%	70%	75%	
2013	69%	70%	73%	68%	87%	

Note: Column (1) includes highly educated in all types of employment. Column (2) same as Column (1) but excludes anyone who is studying. Column (3) same as Column (1) but only includes those who are in full time employment. Column (4) same as Column (1) but only includes those who are employees. Column (5) same as Column (1) but only includes those in the top two major occupation categories. Column (6) includes those in the top two major occupation categories, regardless of level of education. Source: authors' estimates from the UK Labour Force Survey, Q4.

5.4 A8

Table 4 repeats the same analysis as in previous tables, but for RMW from A8 countries only. The estimated number of highly educated A8 RMW has decreased sharply since 2007 (51%). Again, this does not refer to a reduction in the total stock of highly educated A8 migrants working in the UK, but to a reduction in the number of recently arrived A8 migrants working in the UK. A8 nationals were able to move freely to the UK for work from May 2004, and the year 2007 was the peak year for immigration from the A8 countries to the UK (ONS 2014). The high estimates for 2007 are a reflection of this large migration in the years following EU enlargement.

Even as highly skilled RMW numbers decreased, the highly skilled proportion of A8 RMW increased over these years. Close to one-third of the A8 RMW in 2007 were highly skilled. This share increased to 47% in 2013.

Table 4 – Highly skilled A8 RMW (thousands)

	Highly Educated			
Year	All (1)	No students (2)	Full time (3)	Employees (4)
2007	111	101	100	103
2008	88	73	78	83
2009	46	42	40	42
2010	37	32	29	35
2011	55	46	47	50
2012	44	39	37	38
2013	54	51	44	50
	Highly educated share of all A8 RMW			
	2007	36%	35%	36%
	2013	47%	46%	44%
				46%

Note: Column (1) includes highly educated in all types of employment. Column (2) same as Column (1) but excludes anyone who is studying. Column (3) same as Column (1) but only includes those who are in full time employment. Column (4) same as Column (1) but only includes those who are employees. Source: Authors' estimates from the UK Labour Force Survey, Q4.

It is not possible to provide a separate column for A8 migrant workers who are in the top occupational categories. The small number of observations for that group in the sample (e.g. less than 4,000 weighted observations for 2013) makes a comparison of estimates across years unreliable. About half of A8 migrant workers left full time education at 21 years of age or later, but only a small share of A8 RMW work in top occupations.

6. Discussion

This report has estimated the size and composition of the recently arrived highly skilled migrant workforce in the UK and documented how this workforce has changed during the 2007–2013 period. At least three key findings merit further discussion here:

1. The number of highly skilled non-EEA RMW has decreased markedly since 2007. This is the group of migrants that was directly affected by the introduction of the Points Based System and by the recent government policies designed to decrease net migration. The recent reduction in the number of individuals moving to the UK for the purpose of formal study plays a role in this change. The ONS provisional Long-Term International Migration estimates suggest that the number of individuals moving to the UK for study purposes in the year to September 2013 was 176,000, which compares to 246,000 in the year to September 2011 (29% reduction), and many non-EEA students work while in the UK. The analysis in this report suggests that non-EEA students have become a smaller component of the highly skilled recent migrant workforce. However, even after removing students from the analysis there is still evidence of a reduction in the number of highly skilled non-EEA RMW in the UK.
2. The number of highly skilled Old EU RMW has increased since 2007. The increase has been particularly large since 2011. This increase does not come as a surprise. Recent data from national insurance number (NINO) registrations in the UK show that nationals of Spain and Italy now occupy the second and third place in registrations among adult overseas nationals entering the UK, just behind Poland. In the year to March 2013, NINO registrations to nationals of Spain and Italy increased by 50% and 35%, respectively, compared to the previous year (Department of Work

and Pensions 2013). Information from the International Passenger Survey also suggests a recent surge in Old EU migration to the UK (ONS 2014). An estimated 65,000 Old EU nationals arrived to work in the UK in year to September 2013, an increase of 23,000 compared to the previous year.

There are complementary supply- and demand-based explanations for this increase. First, on the supply side, it is possible that Old EU nationals are moving to the UK to escape the economic difficulties of the Eurozone. Eurostat data suggest that the unemployment rate in Spain has been above 10% since mid-2008 and above 20% since mid-2010. At the same time, the increasing restrictions on non-EEA migration may have provided additional opportunities for highly skilled Old EU nationals to get jobs in the UK. Second, it is possible that UK employers are shifting towards recruiting more EU workers as a response to the additional restrictions on non-EU migration recently imposed by the UK government. As noted above, in 2011 one-third of employers in a survey of the Chartered Institute of Personnel and Development (2011) indicated plans to recruit more EU nationals after new restrictions on non-EEA migration took effect. Follow-up evidence on employers' actual behaviour would be a welcome additional piece of evidence in determining whether this has actually occurred.

3. The number of highly skilled A8 RMW has decreased since 2007. The UK was one of just three EU countries to open its labour markets to workers from the A8 countries immediately upon accession in 2004. During the first three years after accession there was a large increase in immigration from the A8 countries to the UK. The first few years in the period of analysis reflect this large initial post-accession migration, with 2007 marking the peak year for A8 migration to the UK.

While a considerable number of A8 RMW are highly educated, the number of A8 RMW who work in top occupations is much smaller, and the earnings of highly educated A8 RMW tend to be much lower than those of other highly educated migrant groups. This suggests that a large portion of the highly educated A8 RMW in the UK is involved in low-skilled work, or at least lower paying work.

Given these results, what are the implications for understanding changes to highly-skilled migration in Britain? First, recent trends have led to a smaller number of highly skilled migrants from outside the EEA and from A8 countries, but not from Old EU countries. The reduction in non-EEA highly skilled migrants fits with an account attributing this to policy changes, but it does not provide definitive evidence. Unfortunately there is not a straightforward method that can separate the impact of policy on the composition of the UK working age population from the impact of other factors.

The rise in Old EU migrants suggest a possible balloon effect, in which reductions in the available supply of non-EEA workers led to an increased demand for and/or supply of EEA workers. But the tangled web of other factors – notably the Euro crisis and the global economic downturn – make it impossible to attribute changes to the UK's population of highly skilled RMW since 2007 to a balloon effect with any certainty. While the relationships between these different aspects of supply and demand remain unclear at the moment, it is clear that 1) the number of highly skilled EEA RMW did increase while the number of highly skilled non-EEA RMW decreased, but 2) the increase in highly skilled EEA RMW was not enough to completely cancel the drop in highly skilled non-EEA RMW.

Appendix

This list is not intended to be a full account of migration policy changes during the 2007-2013 period, but just to highlight some of the key policy changes.

- A. *Introduction of the Tier 1 general category (phased in between February and June 2008)*: Provided a route for highly skilled non-EU nationals to migrate to the UK without the need of a job offer. Skills were evaluated taking into consideration qualifications, earnings and experience.
- B. *Introduction of the Tier 2 and Tier 5 categories (November 2008)*: Provided routes for skilled non-EU nationals with a job offer (Tier 2) and temporary workers (Tier 5) to migrate to the UK. The skill threshold was lower for the Tier 2 category compared to the Tier 1 category.
- C. *Introduction of the Tier 4 category (March 2009)*: Provided a route for prospective non-EU students to migrate to the UK in order to study.
- D. *Interim cap on Tier 1 and Tier 2 categories (July 2010)*: An interim limit on the number of Tier 1 and Tier 2 visas was put in place. The interim limit was introduced to stop a rush of last minute applications ahead of the annual limit being introduced in April 2011.
- E. *Closure of the Tier 1 general category (December 2010)*: Route closed to new applicants.
- F. *Cap on Tier 2 category (April 2011)*: An annual limit of 20,700 was imposed on the Tier 2 category. The limit does not apply to applicants whose job would have a salary of over £150,000 per year. Changes were also made to the minimum skill, salary and English language thresholds of the Tier 2 category to make requirements stricter. Tier 2 intra-company transfers were not included under the cap.
- G. *Additional restrictions on the Tier 4 category (April to July 2011)*: Multiple changes to this category including restrictions on permission to work and the entitlement to bring dependants.
- H. *Introduction of the Tier 1 exceptional talent category (August 2011)*: Provided a route for non-EU nationals who have won international recognition in scientific and cultural fields to migrate to the UK. The route is limited to 1,000 visas.
- I. *Closure of Tier 1 post-study work category (April 2012)*: Route allowed non-EU students who have finished their studies in the UK (under the Tier 4 category) to live and work in the UK following graduation for two years without the need for a sponsor. Those on the Tier 4 category wishing to remain in the UK after graduation have to apply for a Tier 2 visa.
- J. *Stricter rules for family migration (July 2012)*: Additional restrictions on British nationals bringing non-EU partners and children to the UK, which include a minimum income threshold of £18,600 to be sponsor of a partner, which increases with each child that is sponsored.

References

- Chartered Institute of Personnel Development. "Labour Market Outlook – Summer 2011." CIPD, London, 2011.
- Department of Work and Pensions. "National Insurance Number Allocations to Adult Overseas Nationals Entering the UK – Registrations to March 2013." DWP, London, 2013.
- Dustmann C, A. Glitz, T. Vogel. "Employment, Wages, and the Economic Cycle: Differences between Immigrants and Natives." *European Economic Review* 54 (2010): 1-17.
- Dustmann C., T. Frattini and I. Preston. "The Effect of Immigration along the Distribution of Wages." *Review of Economic Studies* 80 (2013): 145-173.
- Migration Advisory Committee. "Limits on Migration: Limit on Tier 2 (General) for 2012/13 and Associated Policies." MAC, London, 2012.
- Office for National Statistics. "Migration Statistics Quarterly Report, February 2014." ONS, London, 2014.
- Wadsworth J. "The UK labour market and immigration." *National Institute Economic Review* 213 (2010): R35-R42.

Related material

- Home Office – Controlling our Borders: Making Migration Work for Britain www.gov.uk/government/uploads/system/uploads/attachment_data/file/251091/6472.pdf
- Gov.uk – David Cameron's immigration speech www.gov.uk/government/speeches/david-camerons-immigration-speech
- CIPD – Labour Market Outlook Summer 2011 www.cipd.co.uk/binaries/5611%20LMO%20Summer%202011%20v2.pdf
- BBC – Care agencies 'must ensure recruits can speak English' www.bbc.co.uk/news/health-2729554
- Home Office – A Points-Based System: Making Migration Work for Britain www.gov.uk/government/uploads/system/uploads/attachment_data/file/272243/6741.pdf
- BBC – In full: David Cameron immigration speech www.bbc.co.uk/news/uk-politics-13083781
- ONS – The SOC2010 Manual www.ons.gov.uk/ons/guide-method/classifications/current-standard-classifications/soc2010/soc2010-volume-1-structure-and-descriptions-of-unit-groups/index.html#1



The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a wide range of disciplines and departments at the University of Oxford.

COMPAS

The Migration Observatory is based at the ESRC Centre on Migration, Policy and Society (COMPAS) at the University of Oxford. The mission of COMPAS is to conduct high quality research in order to develop theory and knowledge, inform policy-making and public debate, and engage users of research within the field of migration.

www.compas.ox.ac.uk

About the authors

Dr Carlos Vargas-Silva
Senior Researcher, COMPAS
carlos.vargas-silva@compas.ox.ac.uk

Dr Cinzia Rienzo
Research Fellow, NIESR
c.renzo@niesr.ac.uk

Press contact

Rob McNeil
Head of Media and Communications
robert.mcneil@compas.ox.ac.uk
+ 44 (0)1865 274568
+ 44 (0)7500 970081

Acknowledgements

Thanks to Scott Binder, Rob McNeil, Jonathan Portes, Martin Ruhs and Jonathan Wadsworth for helpful feedback on earlier versions of this report.

Suggested citation

Rienzo, Cinzia and Carlos Vargas-Silva. "Highly Skilled Migration to the UK 2007–2013: Policy Changes, Financial Crises and a Possible 'Balloon Effect'?." Migration Observatory report, COMPAS, University of Oxford, July 2014.

