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MIGRANT EMPLOYMENT OUTCOMES IN EUROPEAN LABOUR MARKETS

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Institute for Public Policy Research

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SUMMARY

Despite the fact that Europe's economies have been adjusting to increased flows of foreign-born workers for a decade now, there remain important discrepancies between the employment outcomes of migrants and non-migrants across the continent. Such discrepancies can represent significant losses of potential and talent, felt not only by migrants themselves but by the European economy as a whole.

This report presents new statistical analyses of European labour markets in order to identify where, how and to what extent migrants are underutilised. We define 'underutilisation of migrants' in terms of either a low employment rate or a misallocation of skills relative to the non-migrant population. Across Europe we found the following.

- The difference between the employment rates of tertiary-educated migrants and tertiary-educated non-migrants is larger than the gap between migrants and non-migrants within any other qualification group, which indicates a lack of inclusivity in the high-skill jobs market.

- Employment rates were also much lower among non-EU migrants in general (relative to non-migrants), irrespective of qualification level.

- Of all the countries included in this study[1] for which there was a sufficient sample size, only in the UK did migrants from both EU15[2] and NMS13[3] countries have higher employment rates than non-migrants.

- The proportions of tertiary-educated migrants from NMS13 and non-EU countries employed in low-skill jobs were far higher than those of their counterparts in the non-migrant population.

Following our analysis of this issue across Europe as a whole, we conduct a comparative analysis of migrant employment outcomes in Germany and the UK and present the following findings.

- On average, migrants have higher employment rates in the UK than in Germany.

- In Germany, all migrant groups have lower employment rates than non-migrants, while in the UK this is true only of non-EU migrants.

- The low employment rates of non-EU migrants in both countries (relative to those of non-migrants) can be almost entirely accounted for by lower employment rates among women in the migrant population compared with women in the non-migrant population.

- In the UK, the employment of certain nationality groups is much more concentrated in specific (low-skill) sectors of the economy than in Germany.

- The higher employment rates among NMS13 and non-EU migrants in the UK, relative to those in Germany, appear to have come at the cost of higher proportions of tertiary-educated migrants in these nationality groups being employed in lower-skill jobs.

- This overqualification is most common among men who took up residency prior to 2007.

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1   The 'EU24' group, referred to throughout, which consists of Austria, Belgium, Czech Republic, Poland, Slovakia, Slovenia, Greece, Hungary, Denmark, Finland, Estonia, Luxemburg, Iceland, Switzerland, Germany, Spain, Italy, the UK, Norway, Netherlands, Ireland, France, Portugal and Sweden.
2   The 15 member states of the EU prior to its expansion in 2004.
3   The 13 countries that have become members of the EU since 2004.

In discussing employment outcomes for migrants we consider the interactions of a complex set of dynamics that arise from issues related to gender, discrimination, migration routes, labour market structures, employment rights and professional and social networks. Collectively, these factors contribute not only to a lack of inclusivity in the high-skill jobs market, but to higher concentrations of some migrant groups in lower-skill sectors of the economy. These characteristics of migrant employment outcomes need to be recognised not only by policymakers but by firms and employers themselves, particularly those in the classic 'professional' sectors of European economies.

1. INTRODUCTION

Economies across Europe should aspire to use the talents of their entire populations. Low employment rates and the underutilisation of skills represent a significant loss in economic output, as well as a loss of human potential and opportunity.

The recession in Europe following the recent financial crisis has proven to be significant. National GDP outputs have only recently returned to their pre-2008 levels, and there remains substantial slack (demand for labour falling short of supply) across European job markets. Unemployment currently averages nearly 11 per cent across the 28 members of the EU, up from 7 per cent in 2007 and with highs of over 26 and 27 per cent in Spain and Greece respectively (Eurostat 2014).

A low employment rate is evidence of a loss of potential for employers and for countries as a whole. With only two-thirds of the European working-age population in work, there remains substantial scope for improvement. Similarly, the underutilisation of skills across the working-age population – driven by a growth in less secure, lower-paid work during the recession – represents a significant opportunity cost. Mothers, older workers, migrants, ethnic minorities, young people and people with disabilities are all underrepresented in the labour market, both through lower employment rates and underemployment in terms of hours or skills (Dolphin et al 2014). This report examines employment outcomes for one of these groups – migrants – to inform a broader strategy for increasing inclusivity and productivity across European labour markets.[4]

Despite the fact that Europe's economies have been adjusting to increased flows of foreign-born workers for over a decade, migrant workers (in aggregate) still have consistently low levels of employment. In 2012, the employment rate for migrants was 64 per cent, compared to 72 per cent in the 'non-migrant' population (see section 1.1 below for the statistical definitions used in this report). European Union data also shows that despite modest changes in the employment gap between those born in their country of residence and those not – it closed by one or two percentage points during the first half of the 2000s, and widened again by a similar margin during the recent recession – long-standing, structurally low levels of migrant employment (relative to non-migrants) remain a problem across the continent (IPPR calculations using Eurostat 2014).

The research set out in this report is part of the wider New Skills at Work programme, which aims to draw attention to the underutilisation of skills in the labour market, identify strategies to boost job creation, expand labour market participation and develop a skilled workforce that is fit for the future. Concurrent to the challenge of managing total volumes in the supply and demand for labour is the challenge of in ensuring that the right skills are nurtured and developed. For example, studies have highlighted concerns that projected graduate numbers will fall short of forecasts in employer demand, and have drawn attention to the inability of some employers to recruit the 'right people' (Eurofound 2013).

Against this backdrop, governments and employers from across the EU have made efforts to attract and match skills from abroad. The UK introduced a points-based system for inward migration during the second half of the 2000s in order

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4   This is an analytic paper presenting new research on the characteristics and outcomes of different migrant groups in the labour market. It does not provide a comprehensive review of current policy, nor does it offer detailed policy proposals.

to 'better identify… and attract… migrants who have most to contribute to the UK' (Home Office 2006). The blue card was also introduced in 2009 as an EU-wide work permit (although it does not cover the UK, Ireland and Denmark) which offers enhanced family reunification rules and is intended to make the European labour market more attractive to highly skilled migrants from outside the continent. EU health sectors – particularly the NHS in the UK – have also embarked on aggressive recruitment drives for international labour from both inside and outside the EU. These initiatives are intended to help both meet endogenous skill gaps and address the demographic challenges arising from aging populations. Critics of such efforts have argued that they can lead to a false economy whereby policymakers neglect longer-term efforts to develop a domestic skills base in favour of a short-term fix from abroad (Collier 2013). However, this report does not intend to weigh in to debates over the volume or composition of global migration. Rather, it is primarily concerned with the systems and individual characteristics that lead to the underutilisation of the skills of workers who have already settled.

Our argument is that ensuring that the skills of workers who are already active in a given labour market are used to best effect must be a key component of a successful approach to tackling a skills shortage. However, several recent studies have also observed an increasing trend towards overqualification. For example, the European Centre for the Development of Vocational Training (Cedefop 2010) has found that the number of individuals with mid-level qualifications working in low-skilled positions in Europe rose by 7.5 per cent between 2000 and 2008.[5] Due to their particular characteristics and challenges, migrants are among those most likely to have their skills misallocated in the labour market – a phenomenon that has significant opportunity costs not only for migrants themselves, in terms of lower pay, less security and suppressed rates of progression, but also for employers and economies as a whole. Such underutilisation of skills also has implications in terms of the costs accrued in the development of skills in a migrant's' country of origin.[6]

This paper examines the employment characteristics of different migrant groups across EU labour markets with a view to identifying some of the obstacles and challenges that policymakers will need to resolve in order to reverse the underutilisation of migrants' skills, as part of broader strategies to improve skills allocation and economic output across Europe.

1.1 How do we define 'migrants'?

The legal definition of a migrant differs from country to country, and there is no universally recognised statistical definition across the academic literature.[7] Nevertheless, the following three statistical definitions are among the most commonly used (Hawkins 2015).

1. Somebody born in a country other than their country of residence.

2. Somebody with a nationality different to their country of current residence.

3. 'Someone who changes their country of usual residence for a period of at least a year, so that the country of destination effectively becomes the country of usual residence'[8] (ibid)

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5   'Overqualification' occurs where individuals are either educated to a level above that necessary for their current job, or where they have the ability or experience to work in employment that is more highly skilled than their current job.

6   Within the EU, this is of particular concern for southern European countries like Spain and Greece which have been worst hit by the recession and are now experiencing higher rates of outward migration. Of course, the point also stands at the global level: highly skilled workers leaving poorer countries for richer ones has implications for global inequality and international development.

7   We recognise that there has been growing unanimity in UK and US academia over the use of the 'born abroad' definition.

8   This latter definition of a migrant is the one recommended by the United Nations.

For the purposes of our quantitative analysis, we define a 'migrant' as someone who fulfils definitions one and two.[9] Thus, according to our definition, a migrant must both:

• have been born in a country that is not their country of current residence, *and*
• hold a nationality different to the country in which they reside.[10]

Such is the extent of diversity within migrant populations across European countries that aggregate employment figures such as those cited in the opening section of this introduction contribute little to a deeper understanding of the relationship between characteristics and outcomes for different migrant groups. As is true of all workers, variations in factors including age, gender, education and social status can colour the terms and outcomes of labour market engagement. More exclusive to migrants are the factors of nationality, length of residency and migration route, which can also be important determinants of job prospects. As such, this report treats migrants as a highly heterogeneous group, and considers migrant workers as members of multiple and overlapping groups within the European population.

In the first instance, we divide the European population into four mutually exclusive categories.[11]

• 'Non-migrants' are defined as all those who do not satisfy the dual criteria above.
• 'European Union 15' (EU15) migrants are defined as those who fulfil our definition of a migrant, and who also self-report their nationality as one of the 15 current member states whose membership of the EU pre-dates 1 April 2004.[12]
• 'New member state 13' (NMS13) migrants are those who satisfy our definition of a migrant and report their nationality as one of the current EU member states which acceded on or after 1 April 2004.[13]
• 'Non-EU' migrants are those who we define as 'migrants' and report their nationality as countries outside of the EU.

Table 1.1
Total working-age, non-student population of nationality groups within the EU24,* and as percentages of the EU24* total, 2012

	Populations	% of total
Non-Migrant	225,977,513	91%
EU15	4,801,018	2%
NMS13	4,383,072	2%
Non-EU	12,887,042	5%
Total	248,048,645	100%

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.
For a full list of countries see the footnote in section 1.3.

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9   It should be noted that while ethnicity can be an important consideration in terms of the labour market outcomes of migrants, the focus of this paper is on migrants as defined in terms of nationality and country of birth, rather than ethnicity.

10 This definition is adopted to allow us to both narrow the population of interest to those most likely to experience labour market disadvantage, and extend the breadth of statistical analysis where the definition of a migrant remains unambiguous and meaningful. It should be noted that our definition excludes two main groups of people that might in other circumstances be considered migrants: long-settled migrants who have become naturalised, and those that reside in their country of birth but hold foreign citizenship. We justify this exclusion on the grounds that the employment challenges faced by both groups might be better understood as being related primarily to the issue of minorities rather than migration – many of the effects of migration per se are not likely to be relevant to these groups.

11 For certain countries, it is not possible to disaggregate nationality any further than these categories in the EU Labour Force Survey micro-data (Eurostat 2013). Thus these categories have been chosen on the basis that they expand our sample of usable data as much as is possible. It is important to note, however, that important variations remain in the population attributes within these groups.

12 The full list of EU15 countries is Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the UK.

13 The full list of NMS13 countries is Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovakia, Bulgaria, Romania and Croatia.

In addition to these categories, we disaggregate workers further by a number of metrics, comparing like for like (where applicable) among the migrant (by nationality group) and non-migrant populations. In addition to a migrant's nationality, we measure and discuss the importance of education level, gender, age and length of residency to employment outcomes in the labour market. By digging down into these factors and comparing migrants to their counterparts in the non-migrant population, we are able to better identify how and to what extent the skills of different migrant groups are underutilised across European economies.

1.2 Why are migrants' skills underutilised in the labour market?

The different social, economic and legal influences on migrant employment outcomes can be considered in terms of supply-side factors (the nature and composition of prospective employees, and the processes by which they access job vacancies) and demand-side factors (the nature and composition of prospective job vacancies and the extent to which they are accessible). The complex interaction of factors that contribute to migrants' integration into the labour market straddle a range of research disciplines, and those factors discussed here are by no means exhaustive; rather, they are intended as a brief summary of some key elements in the related literature.

Supply-side factors

There is a growing body of research that focusses on the supply-side factors that may contribute to the low employment outcomes of migrants. As discussed above, the demographics of the migrant population vary considerably, just as they do across the non-migrant population. However, some characteristics are much more likely to be present in the migrant population, by virtue of the increased likelihood of an individual having been brought up in a country other than their current place of residence. This can contribute to supply-side labour market obstacles, including language deficiency; legal restrictions; poor professional networks; cultural asymmetry[14]; unfamiliarity with labour market processes; and a lack of recognised qualifications or experience (OECD 2006: 37). Indeed, the general principle that interactions within and between cultures can effect labour market outcomes is now well established in the economic literature (see for example Giavazzi et al 2009). Other factors such as limited networks are common to a number of different social groups who may face disadvantage, such as minority ethnic groups, young people or the disabled (Khan et al 2014). All of these factors can affect the scale and quality of migrant inclusion in the labour market.

Perhaps the most fundamental supply-side factor that contributes to the employment outcomes of migrants is legal status and employment rights (McKay et al 2009). Employment rights for migrants will depend on both their country of residence and their route to migration. Nationals from within the European Economic Area are entitled to free movement across the EU, although provisional restrictions can be imposed on NMS13 nationals. Related to this is the issue of welfare entitlements for all migrants. In the UK, for instance, even EU migrants have only limited rights to jobseekers' support and benefits: they currently have to wait three months before entitlement kicks in, and there is talk of extending this period to four years.[15] Furthermore, entitlement can be conditional on satisfying a 'habitual residence test', which can be particularly difficult for migrants who have families in their country of origin or who struggle to secure a fixed address. It is likely that welfare restrictions push even highly skilled migrants into low-skilled jobs (particularly those who don't have a job to go into when they arrive) in order to meet immediate subsistence costs for themselves and any dependents.

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14 Although where employers are not doing enough to accommodate cultural diversity in the workplace, this would be considered a demand-side challenge.

15 http://www.bbc.co.uk/news/uk-politics-30250299

Recent research by the Migration Policy Institute (Benton 2013) has considered skills (broadly defined) as an important supply-side factor which influences migrant employment. Migrants can have unique skills challenges, since their skills development may have been more closely configured to a foreign labour market. A lack of contextual skills (such as language or ICT proficiency) that are taken for granted by most non-migrants may put migrants at a significant disadvantage. Furthermore, 'soft' skills such as teamwork and initiative, which are less easily observable and broadly transferable, can nonetheless be culturally relative, and deficiencies in them can undermine the value of migrants' 'hard' skills (such as technical training or qualifications), thus making them less readily employable (ibid). A lack of skills compatibility can contribute not only to lower levels of employment but also to gross underemployment and overqualification. Consequently, technical experience and advanced qualifications which might otherwise have been valuable to an economy go underutilised.

Social networks represent a further supply-side factor that contributes to employment outcomes for migrants. Recent analysis by the Centre on Migration, Policy, and Society (COMPAS) found that (non-white) migrants in the UK were, on average, just as likely as non-migrants to obtain job information through their personal contacts, and just as likely to actually find work through their private networks – as were lower educated workers across the whole population (COMPAS 2013). The importance of networks and 'clustering' might also help to explain the concentration of migrants in certain industrial sectors. Clustering can be important not only in directly carving out employment opportunities, but also indirectly in the sense that it influences the geographic areas where migrants live and, consequently, their mobility in the labour market. Networks may have both advantageous and a disadvantageous effects simultaneously – they may boost employment levels among lower educated migrants (perhaps even beyond those of non-migrant counterparts), while narrowing their career options and increasing the likelihood that they will become entrapped in low-skill sectors. Other recent UK research found that the social networks of minority ethnic workers in low-paid jobs often offered them few opportunities to progress professionally (McCabe et al 2013).

Demand-side factors

Though it is a hard thing to compare across countries, discrimination can be a key demand-side determinant of the employment outcomes of some migrant groups in Europe. Recent research has demonstrated that discrimination – due to broadly held negative stereotypes about immigrants, rather than simply the beliefs of individual labour market actors – can be prevalent both at the point of recruitment, thereby contributing to reduced employment rates, and throughout an individual's career, contributing to supressed wages and job progression, and ultimately to the underutilisation of skills in the economy (OECD 2013). Furthermore, discrimination is also prevalent outside the labour market – in education, training and housing, for instance – in ways that have an indirect effect on labour market outcomes (ibid).

Discrimination during the recruitment phase is one of the incidences of discrimination that is easiest to measure, and can be either direct or indirect. Direct discrimination might take the form of employers assessing immigrant candidates less favourably, despite the fact that they fulfil all of the job specifications and candidate criteria. Audit studies in which otherwise identical applications are submitted to real jobs from migrants and non-migrants have revealed discriminatory outcomes across the OECD. It has been found that immigrants from certain ethnic backgrounds have to submit on average between 10 and 150 per cent more applications than a non-migrant before they get a 'call-back' from a job application (ibid). Furthermore, indirect discrimination can take the form of employers setting out selection criteria that a migrant applicant might be less able to satisfy. For example, the UK Home Office advises employers that requiring a job applicant to have been resident in the country for more than five years would be likely to be held up as discriminatory (Home Office 2014).

Incidences of indirect discrimination have been found through reviews of court trials and employment tribunals across the OECD (OECD 2013).

How can migrant employment outcomes be improved?

Key to resolving the above issues will be the responses to them by policymakers, employers and migrants themselves. However, a number of factors are currently limiting the extent to which any of these stakeholders are able or willing to respond. For example, in tackling some of the 'hard' and 'soft' skills deficiencies of migrants through education and training, there can be a conflict between the short- and long-term interest of all the actors involved (Benton 2013).

First, bodies that deliver active labour market programmes, designed to help the out-of-work to secure employment, tend to be rewarded for the speed with which they secure job outcomes, rather than for improving an individual's long term prospects of employment and progression. This is an issue for all unemployed workers, but is particularly significant for those such as migrants who are more likely to have soft-skill deficiencies. Second, policymakers can be reluctant to invest in targeted skills training for labour market actors who have not yet contributed to the social security system, for fear of political opposition – particularly in the context of public spending cuts being pursued in many countries across the eurozone and in the UK. Third, employers are naturally disinclined to invest in training unless the risks of losing human capital can be mitigated against. This risk is perceived to be particularly high for migrants, who often have less community attachment to a particular location.

Finally, some migrants can also face disincentives to invest in their own development. One reason for this is that some migrants – seasonal agricultural workers, for instance – might only intend to stay in their country of residence temporarily. In countries where migrants are (on average) more likely to live in a low-income household with scarce disposable income, they are also less likely to invest in education or training (Benton 2013). To the extent that this is the case, greater poverty can create a feedback effect, reinforcing potential entrapment in underemployment or involuntary joblessness. Perceived – and often real – discrimination in the labour market can also have a similar feedback effect, in that it may reduce the extent to which a migrant believes that developing her or his skills can lead to improved employment prospects. Further to all of the above, migrants may have dependents living abroad, which creates a strong incentive to earn money quickly rather than pursue professional development.

1.3 Methodology

This paper considers the employment characteristics of migrants in order to help identify areas where more can be done to make labour markets across Europe more inclusive. Its primary concern is to identify labour market outcomes that are the result of characteristics that are largely unique to migrants (such as unfamiliarity with domestic culture and labour market processes). We consider two key indicators by which we measure and discuss the underutilisation of migrants in the labour market. These are:

- **the employment rate**
- **underemployment** (in terms of overqualification).

A number of recent studies have examined the labour market characteristics of migrant groups both in the UK and internationally.[16] However, little of this work has attempted to 'control' for factors that can be common to both migrants and non-migrants, which undermines the extent to which the scale and nature of any

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16   For a UK example, see recent papers by the Migration Advisory Committee (MAC 2014) and Cooper et al (2014); for an international example, see the Migrant Policy Institute's recent paper on skills deficits (Benton 2013).

migrant-specific disadvantages can be determined and evaluated. The research presented in this report seeks to build on previous studies by emphasising this more focussed approach. To this end, and rather than concentrating solely on the labour market activity of migrants, we have gauged the labour market outcomes of different migrant groups in comparison with, and relative to, otherwise similar non-migrants. We therefore define 'underutilisation' in terms of employment outcomes for a given grouping within the migrant population that are inferior to those of the corresponding grouping in the non-migrant population. Rather than relying on regression modelling or similar methods to provide a rigid coefficient for the relationships between factors that affect migrant employment outcomes, we have found it more fruitful to isolate key factors with descriptive statistics, and to discuss the possible relationships at play. Though perhaps less robust than others, this approach can allow for greater flexibility in the analysis and a richer discussion.

To assess the utilisation of migrant skills across Europe, the analysis in this paper focusses on data from the 2012 EU Labour Market Survey (LFS) (Eurostat 2013). Using the most up-to-date evidence from the LFS (as opposed to layering up years of data in order to increase the sample size) allows us to observe the most current characteristics of the labour market and comment on the possible effects that recent legislative and economic changes have had on migrant employment outcomes. There has been relative stability in the employment outcomes of most migrant groups during the years since the financial crisis at the level of Europe as a whole. This means that even one year's data can provide a sufficiently robust representation of employment outcomes over the period. Unless stated otherwise, all figures and analysis presented in the text that has been derived from evidence extracted from the EU Labour Force Survey (LFS) (Eurostat 2013) pertains to the year 2012.

All of the analysis presented in this report is limited to the populations of selected European countries. We define the 'population' as all those aged between 16 and 64 but – unlike recent similar studies (see for example MAC 2014) – our definition also excludes all those in regular education. We exclude this group from our analysis because where highly qualified students make up a significant minority of the overall migrant population,[17] this may be found to distort the observable relationship between characteristics such as qualification levels or age and employment outcomes for migrants (Cooper et al 2014).

Where appropriate, we gauge the qualification and job levels of employees according to two three-part typologies. For qualifications, we describe people in terms of high, medium and lower education levels by reference to their highest achieved formal qualification. Our qualification categories, which align with the typology set out by the International Standard Classification of Education (ISCED),[18] are as follows.

- **Highly educated** workers are those educated to ISCED levels 5 and 6, a definition that includes all those holding a tertiary or postgraduate education.

- **Medium educated** workers are those educated to ISCED levels 3 and 4, which includes all those with upper-secondary qualifications (higher than lower-secondary but lower than tertiary).

- **Lower educated** workers are those educated to ISCED levels 0, 1 and 2, which includes those with a lower-secondary education or below.

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17 For example, a recent study, found that 14 per cent of all migrants in the UK were either studying or else had initially taken up residence with the intention to study (Cooper et al 2014).

18 http://www.uis.unesco.org/Education/Pages/international-standard-classification-of-education.aspx

For occupational skill level we use a similar classification system. Using the 'first digit' from the International Standard Classification of Occupations (ISCO),[19] we group all jobs into three categories.

- **High-level** jobs are those held by workers described as 'managers', 'professionals' and 'technicians and associate professionals'.
- **Medium-level** jobs include those defined as 'clerical support workers', 'service and sales workers', 'skilled agricultural, forestry and fishery workers', 'craft and related trades workers' and 'plant machine operators and assemblers'.
- **Low-level** jobs include all those described as 'elementary' professions.

We also analyse employment by sector. In order to assess sectors in manageable units, we use the first digits from the categorisation system designed by the National Association of Colleges and Employers (NACE). We then group these digits into categories based on their similarities and their relative size in the economy in terms of volume of employees. The appendix to this report sets out our sector categories, along with the classification codes from the NACE included within each group.

This report is divided into two main chapters. Chapter 2 sets out the top-level findings from our analysis of the European labour market as a whole. In this analysis, and in-keeping with similar publications by IPPR (see Dolphin et al 2014), we include in our study those European nations that are also member states of the Organisation for Economic Co-operation and Development (OECD), otherwise known as the 'EU24'.[20]

In chapter 3 we build on these initial aggregate findings with a deeper comparative analysis of the UK and Germany. Comparing these two countries enables us to draw useful contrasts, as they present opposing features on a number of metrics.[21] Germany is a classic 'co-ordinated market economy' while the UK is one of Europe's few 'liberal market economies': this has implications for the configuration of labour market institutions and development of skills in each workforce. The UK has a long history of inward migration from outside of Europe (as well as from the continent), whereas Germany has historically been a preferred destination for those from Eastern Europe and Near and Middle East countries such as Turkey.[22] Since reunification, Germany has also placed greater restrictions on migration in general, and has made use of the provisional restrictions that the EU allows to be placed on the employment rights of migrants from newly acceded member states. The UK, on the other hand, has for the most part chosen not to enact such restrictions in the first instance. As part of our analysis of migrant employment characteristics in Germany and the UK we present new country-level data, as well as a discussion informed by a series of IPPR interviews in November 2014 with representatives from key labour market institutions in Germany. We also engage with broader thinking in this area, with a discussion of the institutional, social and economic factors that may be associated with our findings. As this is an analytical paper on labour market dynamics, it is not our intention here to either comprehensively review existing policy or to set out specific proposals for how it might be reformed.

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19 http://www.ilo.org/public/english/bureau/stat/isco/

20 The complete list of EU24 countries is comprised of Austria, Belgium, the Czech Republic, Poland, Slovakia, Slovenia, Greece, Hungary, Denmark, Finland, Estonia, Luxemburg, Iceland, Switzerland, Germany, Spain, Italy, the UK, Norway, the Netherlands, Ireland, France, Portugal and Sweden.

21 One respect in which they are similar, however, is that both countries are, broadly speaking, a popular destination for highly-skilled migrants, relative to some other EU countries.

22 Relatedly, it is worth noting that Germany allows dual citizenship in only very limited circumstances. This means that the proportion of migrants in Germany that have taken German citizenship is likely to be lower than the proportion in the UK that have taken British citizenship. Given that our definition of a 'migrant' excludes those that have taken citizenship of their resident country, the German population that we assess is likely to include a higher proportion of long-settled migrant workers than that of the UK.

2. MIGRANT EMPLOYMENT OUTCOMES
THE EUROPEAN CONTEXT

Summary of findings
- The difference between the employment rates of tertiary-educated migrants and tertiary-educated non-migrants is larger than the gap between migrants and non-migrants within any other qualification group, which indicates a lack of inclusivity in the high-skill jobs market.
- Employment rates were also much lower among non-EU migrants in general (relative to non-migrants), irrespective of qualification level.
- Of all the countries included in this study[23] for which there was a sufficient sample size, only in the UK did migrants from both EU15[24] and NMS13[25] countries have higher employment rates than non-migrants.

2.1 Relative employment gaps in the EU24

Applying our definition of a migrant to evidence from the 2012 EU LFS, our analysis found that migrants made up around one in 10 (9 per cent) of the non-student working-age population across the EU24 group. Within this population, the average gap in employment rates for migrants as a whole was significant, with a difference of 8 percentage points between the employment rate of migrants (64 per cent) and non-migrants (72 per cent) (Eurostat 2013).

A large portion of this employment gap is accounted for by the low employment rate of non-EU migrants. This group make up over half of the EU24 migrant population (5 per cent of the total population) and, according to the 2012 LFS, had an average employment rate of 58 per cent – 14 percentage points below that of non-migrants (ibid). The remaining migrant population, split roughly equally between EU15 and NMS13 migrants, had (respectively) employment rates a little above and a little below that of the non-migrant population. As might be expected, low academic attainment appears to be a good predictor of a low employment rate, as nearly half (48 per cent) of all non-EU migrants in the EU24 have no upper-secondary qualifications, compared with less than a third within all other nationality groups (ibid). However, once we take account of education level, there remains significant heterogeneity in the employment outcomes of different groups.

As expected, further analysis confirms that within each nationality group the absolute employment rate is lower among workers with fewer qualifications. Yet by looking at the gap between the employment rates of migrants and non-migrants with the same qualification level we can begin to identify the employment outcomes that may be attributable to characteristics specific to particular migrant groups. The findings illustrated in figure 2.1 confirm that non-EU migrants have by far the most significant employment gap relative to non-migrants, irrespective of their qualification level. Perhaps more surprisingly, the analysis also shows that, in almost all cases, the employment gap for different

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23 The 'EU24' group, referred to throughout, which consists of Austria, Belgium, Czech Republic, Poland, Slovakia, Slovenia, Greece, Hungary, Denmark, Finland, Estonia, Luxemburg, Iceland, Switzerland, Germany, Spain, Italy, the UK, Norway, Netherlands, Ireland, France, Portugal and Sweden.
24 The 15 member states of the EU prior to its expansion in 2004.
25 The 13 countries that have become members of the EU since 2004.

nationality groups narrows – or in the case of EU15 and NMS13 migrants becomes positive – for migrants with *lower* levels of educational attainment.

Table 2.1
Educational composition, population composition and employment rate within the EU24 adult, non-student population,* by nationality group, 2012

		EU15	NMS13	Non-EU28	Non-migrant
Educational composition	Tertiary	39%	20%	22%	27%
	Upper-secondary	31%	53%	30%	45%
	Below upper-secondary	29%	27%	48%	27%
Population (% of total)		2%	2%	5%	91%
Employment rate		74%	70%	58%	72%

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.

Figure 2.1
Relative employment gaps (percentage points [pp]) and employment rates (%) in the EU24 adult, non-student population,*[26] by education level, 2012[27]

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.

26 Includes all European countries that are members of the OECD, with the exceptions of Poland and Slovenia. For a full list of countries see footnote in section 1.3.
27 Includes all adults aged 16–64, excluding those in regular education.

The large relative employment gaps between non-EU migrants and non-migrants are due to the interaction of a number of factors that vary from country to country. This variance is in part due to the fact that the combination of nationalities that make up the non-EU migrant group can differ greatly between countries. Non-EU migrants in central European countries such as Germany and Austria are increasingly likely to come from eastern European countries that are outside the EU, whereas in western European countries such as France and the UK, non-EU migrants are more likely to be from north and sub-Saharan Africa respectively, or from south and south-east Asia.

It is possible that relatively weak 'soft' or contextual skills among otherwise highly experienced migrant workers may contribute to the large relative employment gaps that we see among more qualified migrants (Benton 2013). However, it should be noted that some employers perceive soft skills, such as punctuality and work ethic, to be *stronger* among certain groups within the migrant workforce than in the non-migrant workforce (Glossop and Shaheen 2009). Nonetheless, deficiencies in contextual skills such as language are not only important but are most keenly felt in the competition for higher skill jobs (Batolova and Fix 2008). Perhaps more significant, however, is the fact that studies have also shown that employers are less likely to recognise qualifications and experience gained abroad. This can be part of a number of dynamics (including direct and indirect discrimination) whereby non-migrants in higher-skill professions may pursue institutional practices (whether intended or not) that preserve their privileged position in the labour market (ibid). Furthermore, some highly qualified migrants – particularly those that stay temporarily in multiple countries (perhaps as part of an extended 'world tour' or volunteer work) – might choose lower-skill jobs because of the increased flexibility, or the experience, that they offer.

Figure 2.2
Employments rates (%) for all tertiary-educated workers in the adult, non-student population of selected countries, by nationality group 2012
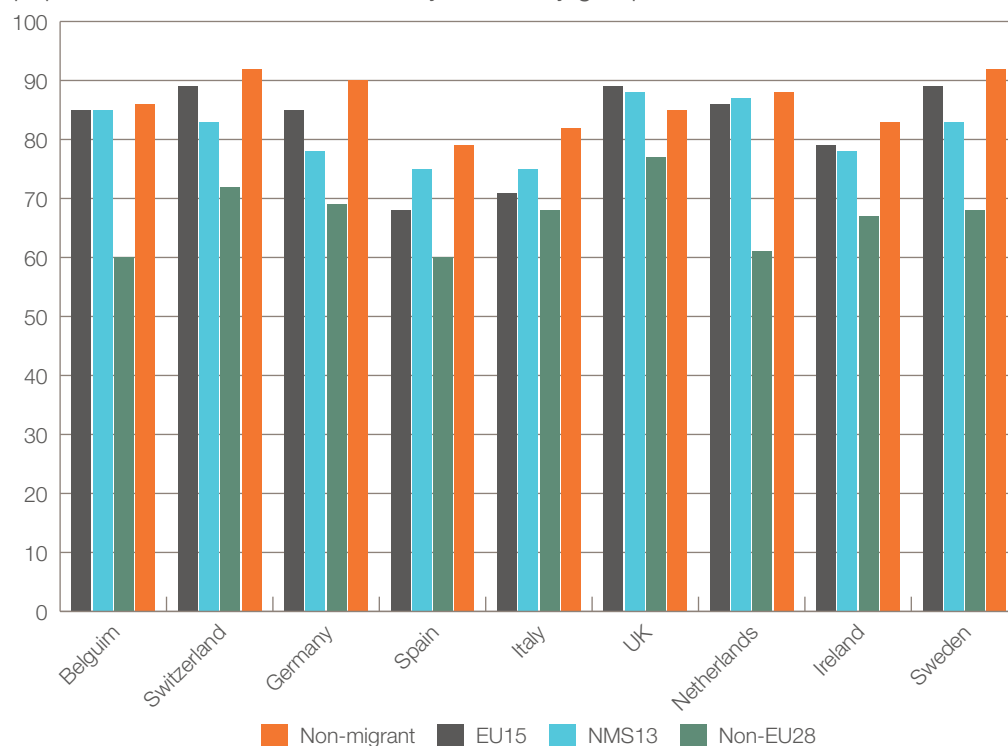
Source: Author's analysis based on Eurostat 2013

By adopting a comparative perspective on employment rates for high-skill workers, we can observe that the employment gap for high-skill migrants is relatively consistent across the EU24. Figure 2.2 above plots the employment rates of nationality groups for all individual countries in the EU24 for which there are no data limitations. The regularity with which the employment rates of highly educated EU15 and NMS13 migrants fall short of their counterparts in the non-migrant population is striking. Only in the UK do we see a higher employment rate for EU migrants than for non-migrants. This is likely to be related to the UK's more flexible labour market having contributed to a long history of inward migration, as well as relatively strong equality legislation.[28]

Digging deeper, we can see that on average, and across the European labour market, the relative employment gap for EU migrants is almost entirely accounted for by the relative employment gap for high- and medium-qualified women. Figures 2.3 and 2.4 respectively show that the relative employment gap for all EU migrant men is either non-existent or *positive*, while for high- and medium-qualified women the gap stands at between -4 and -7 percentage points. Equally, the negative employment gaps for non-EU migrant women are significantly larger than those for men. *Positive* employment gaps for *all* low-educated EU migrants are evident among both men and women.

Figure 2.3
Relative employment gaps (pp) for men, and their employment rates (%) by education level, across the EU24 adult, non-student population,* 2012

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.

28 In line with EU guidelines, two countries (Austria and Norway) had sample sizes that could have been published, but with a warning concerning their reliability. Of these two countries, high-skill EU migrants in Norway also had higher employment rates than non-migrants. It is likely that this can be attributed to high levels of foreign born-workers employed in Norway's oil industry.

Figure 2.4
Relative employment gaps (pp) for women, and their employment rates (%)
by education level, across the EU24 adult, non-student population* 2012

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.
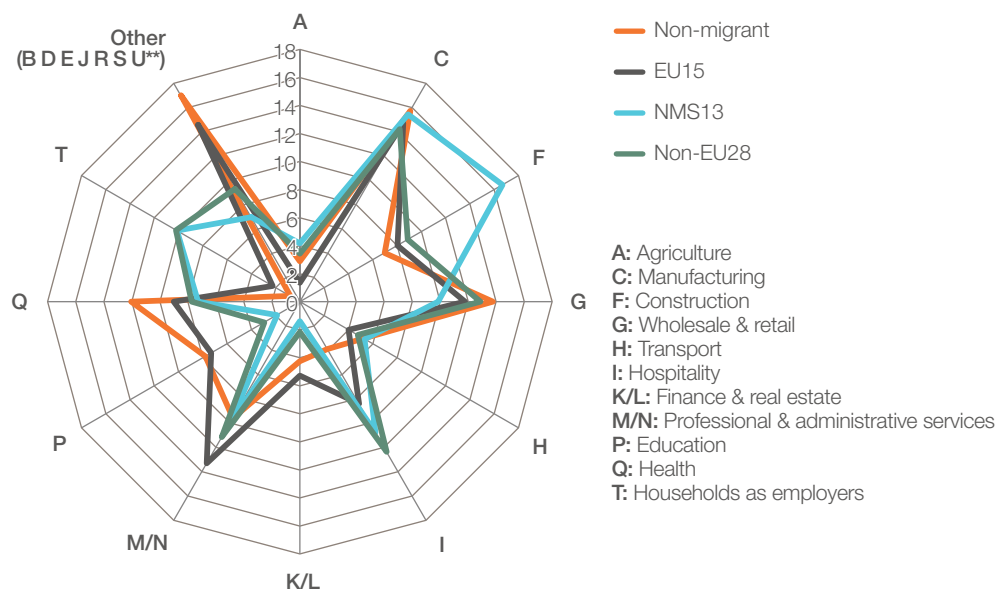
This evidence suggests that female migrants experience particular disadvantages in the European labour market, in addition to the disadvantages attributed to women (and mothers) more generally (see Silim and Stirling 2014). The trend is present for all migrants, but appears to be most pronounced in the non-EU population, which suggests that gender dynamics within migrant communities and households, as well as ethnic discrimination, are important. Women within all migrant nationality groups are also more likely than migrant men to have migrated as non-earners in a two-adult household, and are therefore less likely to be in work. The dynamics behind these trends vary from country to country, and we will return to this issue in chapter 3 in a more detailed discussion and analysis of the constituent parts of migrant groups in Germany and the UK.

However, while the effects of gender on employment outcomes may help to explain why employment rates are lower among highly qualified migrants than among highly qualified non-migrants, this does not explain why low-skill EU migrants have higher employment rates than low-skill non-migrants, irrespective of gender. We can cast further light on this group by looking at the distribution of workers in employment across all industrial sectors in the EU24 group. Migrant groups are concentrated within specific sectors to a greater degree than non-migrants. EU15 migrants are concentrated mainly in hospitality but also in more professional and administrative support sectors. Particular concentrations of NMS13 migrants can be found in construction,

and both NMS13 and non-EU migrants are disproportionately concentrated in hospitality and the informal household sector.

Figure 2.5
Distribution of employment across sectors in the EU24 adult, non-student population,*[29] 2012 (% of total employed in each nationality group)

Legend:
- Non-migrant
- EU15
- NMS13
- Non-EU28

A: Agriculture
C: Manufacturing
F: Construction
G: Wholesale & retail
H: Transport
I: Hospitality
K/L: Finance & real estate
M/N: Professional & administrative services
P: Education
Q: Health
T: Households as employers

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.
**See appendix for a full list of sector codes.

The factors behind these distributions are largely related to the supply of and demand for labour, though they will vary from country to country. On the demand side, some employers may find that their specific skills needs are best met by labour from abroad. The effect that this has in terms of promoting the concentration of certain migrant groups in certain sectors is compounded by the practices of other employers who fail to do enough to be inclusive and to fully utilise migrant potential in their own sectors. On the other hand, supply-side factors are likely to be especially important, given that migrants are a self-selecting population. Pay differentials between countries of origin and countries of destination may explain the greater willingness on the part of some migrants to work in lower-level jobs; migrants may also be more flexible and able to meet the specific needs of employers in sectors such as hospitality. Professional networking within diaspora communities may also serve to intensify migrant 'clustering' within certain areas of the economy.

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29 See the appendix for a breakdown of how the sector codes we use in this report correspond to the NACE classification codes.

2.2 A misallocation of skills

Summary of findings
- The proportions of tertiary- and upper-secondary-educated migrants from NMS13 and non-EU countries employed in low-skill jobs are far higher than those of their counterparts in the non-migrant population.

The argument that we posit as a result of the above findings is that highly educated migrants have the highest relative employment gaps because of a lack of inclusivity in the high-skill jobs market, but that in the main they are still competing for jobs at the lower end of the labour market. Given that this is the case, we would expect to find overqualification among those migrants who take up lower-skilled work rather than drop out of the labour market entirely, and that larger proportions of highly educated migrants, relative to the non-migrant population, are employed in lower-skilled jobs. In turn, this overqualification of migrant workers would represent significant underutilisation of migrant potential across European economies.

This is precisely what we found in our assessment of migrant employment by nationality, qualification and job skill-level across the EU24 group. Only half (50 per cent) of tertiary-educated NMS13 migrants, and well under two-thirds (59 per cent) of non-EU migrants educated to the same level, are employed in 'high-level' jobs (see figure 2.6).[30] This compares to 86 per cent of otherwise similar employees in both the non-migrant and EU15 migrant populations. There is also an observable pattern among medium educated-workers wherein well over a quarter of all upper-secondary-qualified NMS13 and non-EU migrants (30 and 28 per cent respectively) who are in employment are working in elementary occupations, compared with just 7 per cent of otherwise similar non-migrant employees and 8 per cent of EU15 migrant employees (Eurostat 2013).

Figure 2.6
Occupation level[31] (%) of tertiary-educated employees in the adult, non-student population of EU24 countries,* 2012
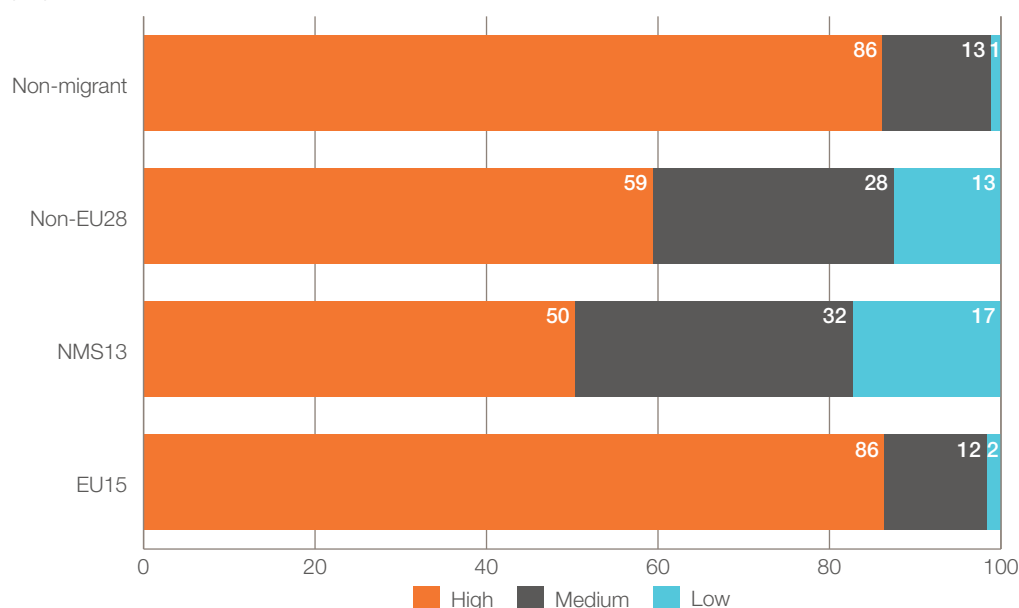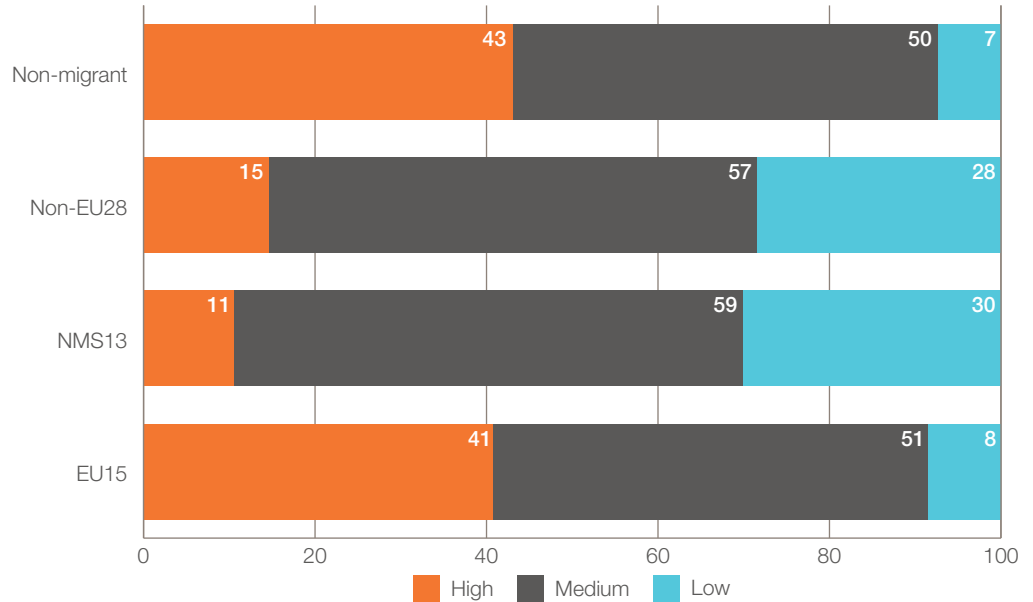

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.

30 Our three-part typologies for qualification and occupational skill levels are discussed in section 1.3.
31 See section 1.3 for a definition of occupation levels.

Figure 2.7
Occupation level[32] (%) of medium-educated employees in the adult, non-student population of EU24 countries,* 2012[33]

Source: Author's analysis based on Eurostat 2013
*Note: figures for Poland and Slovenia are not included due to data limitations.

In general, these findings support the argument that disproportionate numbers of highly skilled workers from some migrant groups are not entering higher-level jobs. However, the effects of the overqualification of some nationality groups relative to others are not always those that might be expected, given our findings on relative employment gaps. For example, we see the largest relative employment gaps among high- and medium-skill non-EU migrants. There is significant overqualification among this group across the European labour market, but not to the same extent as among NMS13 migrants, despite this latter group experiencing smaller relative employment gaps. Finally, at the aggregate level, the proportion of EU15 migrants that are overqualified differs little if at all from that of non-migrants, despite the (modest) relative employment gaps among medium- and high-skill EU15 migrant workers, particularly women. To shed more light on these findings, in the following chapter we turn to a comparative analysis of migrant employment in the UK and Germany.

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32   See section 1.3 for a definition of occupation levels.
33   Includes all adults aged 16–64, excluding those in regular education.

3. MIGRANT EMPLOYMENT IN GERMANY AND THE UK
A COMPARATIVE ANALYSIS

3.1 Changes in employment rates, 2004–2012

In this sub-section, and by way of an introduction, we diverge from the analysis presented in the rest of the report to briefly consider changes in employment rates across time. As is true of the EU24 group of countries as a whole, employment trends for different nationality groups in Germany and the UK appear to have remained relatively stable in recent years, both in absolute terms and relative to one another (see figures 3.1 and 3.2). This is despite large changes in the volume and composition of both countries' migrant populations.

Figure 3.1
Employment rates (%) for nationality groups in the German adult, non-student population, 2004–2012
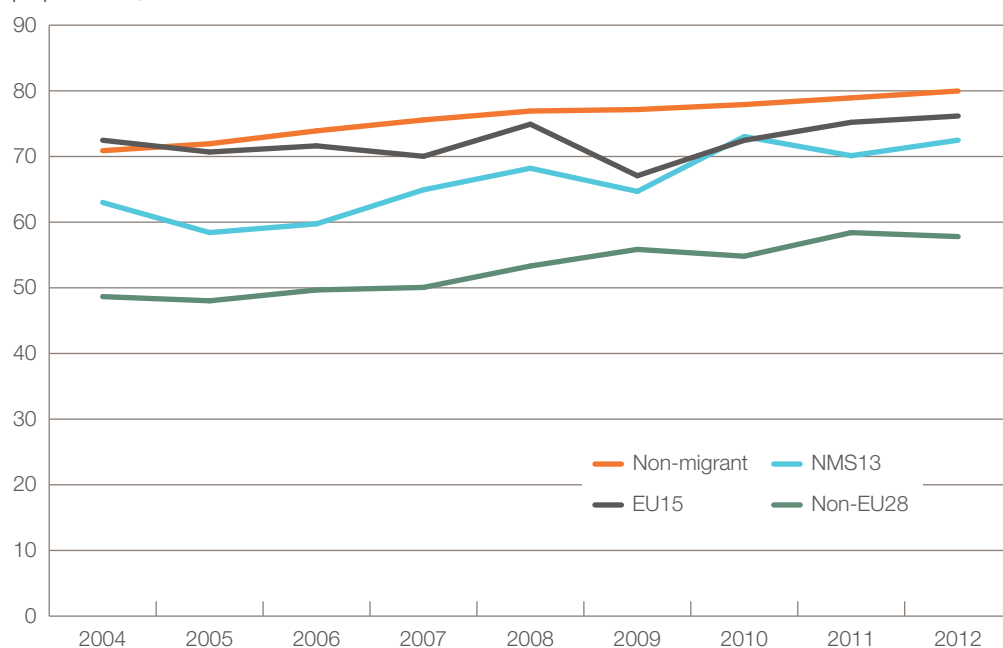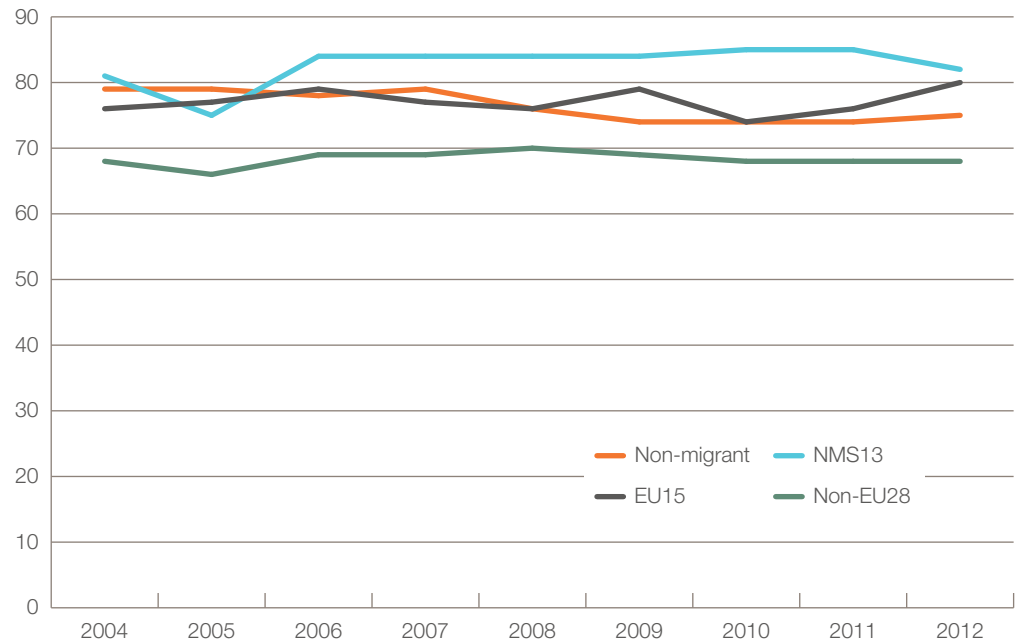

Source: Author's analysis based on Eurostat 2013

In Germany, employment rates rose among almost all workers between 2004 and 2012, thanks to strong manufacturing and export industries (aided by enhanced international competiveness due to Germany's membership of the eurozone). Despite a recent fall-off in demand from southern European countries since the Eurozone crisis, German employers have been successful at breaking into new markets in emerging economies beyond the continent. The country's rising employment rates are also due in part to deliberate interventions by policymakers. The 'Hartz' reforms brought in during the 2000s helped to revitalise the German labour market by increasing work incentives, expanding flexible work practices and improving the allocation of skills in the economy through better job-matching (albeit at the cost of increasing the propensity towards

insecure, temporary work). However, it is recognised that further structural adjustments are still needed, particularly with regards to boosting labour market participation among women (Granato 2014). The employment rates of all nationality groups have maintained a more-or-less steady upward trend since the early 2000s, although the difference between the employment rates of EU migrants and non-migrants appears to have narrowed slightly since the peak of the recession in 2009.

Figure 3.2
Employment rates (%) for nationality groups in the UK adult, non-student population, 2004–2012

Source: Author's analysis based on Eurostat 2013

Between 2004 and 2012, employment rates for all groups in the UK remained relatively flat, although the employment rates of most groups (and of non-migrant workers and non-EU migrants in particular) fell back between the onset of the recession and 2012. Since 2005 (shortly after the accession of a number of eastern European countries to the EU) NMS13 migrants have enjoyed the highest employment rates of any nationality group in the UK. This is in part down to the UK government's decision not to impose restrictions on the mobility of these workers (as most other EU countries did), a decision which – in combination with a flexible and successful economy – made the UK one of the most highly desirable destinations for economic migrants from eastern EU member states. This, in turn, meant that large proportions of NMS13 migrants (in particular) came to the UK specifically seeking employment, and this is reflected in their consistently high employment rates relative to other workers since 2005 (Eurostat 2013).

3.2 Relative employment gaps

Summary of findings
- On average, migrants in the UK have higher employment rates than those in Germany
- All migrant groups in Germany have lower employment rates than non-migrants, while in the UK this is true only of non-EU migrants.
- The lower employment rates of non-EU migrants in both countries (relative to non-migrants) can be almost entirely accounted for by lower employment rates among women within the migrant population than among the non-migrant population.
- In the UK, the employment of different nationality groups is much more concentrated in specific (low-skill) sectors of the economy than in Germany.

Returning to evidence from the 2012 EU LFS, in both Germany and the UK migrants make up around one in 10 of the adult, non-student population (as is consistent with the European average; see tables 3.1a and 3.1b). Similarly, in both countries at least half of migrants are nationals of countries outside the EU, with the remainder split evenly between EU15 and NMS13 migrants; the same is true, on average, across the EU24 (Eurostat 2013).

At the aggregate level, and with regard to employment rates, the underutilisation of the migrant population might on the surface appear less prevalent in Germany than across Europe as a whole. All migrant groups in Germany have absolute employment rates that are at least as high as the EU24 average. However, this is in large part due to the fact that the German economy has fared better both during and after the recession than almost any other economy in Europe. In fact, the difference in employment rates between migrants and non-migrants is greater in Germany than the European average, by which definition the migrant population in Germany is *more* underutilised relative to that average. Even EU15 migrants in Germany had, in 2012, a negative employment gap of around four percentage points (whereas across the EU24 their employment rate was on average 2 percentage points *higher* than that of non-migrants), and the employment gap among non-EU migrants was nearly half as large again in Germany, at 22 percentage points, compared with the average gap across the EU24 (14 percentage points) (ibid).

By contrast, migrants appear to be much better utilised and integrated in the UK in terms of employment rates. Only non-EU migrants have a negative employment gap, and at seven percentage points it is half the size of the EU24 average. On average, EU migrants in the UK have a *higher* employment rate than non-migrants: employment rates among EU15 and NMS13 workers were 80 and 82 per cent respectively, with positive employment gaps of 5 and 7 percentage points respectively (Eurostat 2013).

Table 3.1a
Population composition, educational composition, gender breakdown and employment rate of the German adult, non-student population, by nationality group, 2012

		Non-migrant	EU15	NMS13	Non-EU28
Educational composition	Tertiary	28%	27%	23%	18%
	Upper secondary	61%	36%	53%	30%
	Below upper-secondary	12%	37%	24%	52%
Gender	Men	50%	56%	44%	48%
	Women	50%	44%	56%	52%
Proportion of total population		90%	2%	2%	6%
Employment rate *[vs EU24 average]*		80% *[72%]*	76% *[74%]*	73% *[70%]*	58% *[58%]*

Source: Author's analysis based on Eurostat 2013

Table 3.1b
Population composition, educational composition, gender breakdown and employment rate of the UK adult, non-student population, by nationality group, 2012

		Non-migrant	EU15	NMS13	Non-EU28
Educational composition	Tertiary	34%	59%	31%	52%
	Upper-secondary	40%	28%	48%	26%
	Below upper-secondary	25%	14%	20%	21%
Gender	Men	50%	46%	50%	49%
	Women	50%	54%	50%	51%
Proportion of total population		91%	2%	2%	4%
Employment rate (%) *[vs EU24 average]*		75% *[72%]*	80% *[74%]*	82% *[70%]*	68% *[58%]*

Source: Author's analysis based on Eurostat 2013

Skills and education

The variance between the employment rates of migrant groups in Germany and their counterparts in the UK can be explained in part by important differences in the skills profiles within respective nationality groups. For example, in Germany only one in 10 (12 per cent) of the non-migrant population has an education below the upper-secondary level, whereas the educational attainment of over half (52 per cent) of non-EU migrants is below this level. Higher levels of education among migrants in the UK may help explain their higher employment rates, both relative to Germany and compared with the UK's non-migrant population. Of the four nationality groups examined, non-migrants in the UK have the highest proportion of workers educated to below the upper-secondary level (25 per cent). However the reverse does not hold for non-EU migrants in the UK who, despite on average being better educated than non-migrants, have a lower employment rate than their non-migrant counterparts.

Non-EU migrants in the UK are also considerably better educated than both the EU24 average and in Germany, despite the fact that both countries have explicit policy agendas (the *Wilkommenskultur* in Germany) aimed at promoting high-skill migration. This is largely due to changes in UK government policy during the 2000s which saw the creation of the Migration Advisory Committee to advise on skills shortages and restrictions on low-skilled immigration from outside the EU. More recently, the UK government increased the minimum salary threshold above which non-EU migrants are allowed to bring family members to the UK. However, the representatives from leading German labour market institutions whom we interviewed suggested that the higher proportions of well-educated migrants in the UK (relative to Germany) also reflect the country's comparative advantage in being better placed to attract English-speaking workers. Furthermore, the UK also has a much smaller population of refugees and asylum-seekers than Germany, both in absolute terms and as a proportion of the migrant population as a whole.

Given the education profile of migrants in the UK, it is little surprise that recent evidence has shown some migrant workers to be concentrated in some highly-skilled jobs (Rienzo 2014a). Yet the same research also found disproportionate concentrations of migrants in low-skill sectors of the UK economy.

Lower education levels among migrants in Germany are also compounded by the system of early stratification in the education system. Our interviewees from key German labour market institutions believed that first- and second-generation migrants of school age are more likely to fall into vocational streams than into routes that lead to university. This may be partly due to the education system's inability to successfully recognise and differentiate students' soft-skill deficiencies from academic potential.

We can arrive at a deeper understanding of the underutilisation of migrants vis-à-vis the non-migrant population in both Germany and the UK through analysis of relative employment gaps. As is true of the EU24 group as a whole, underutilisation is far from universal – rather, it is concentrated in particular groups within diverse migrant populations. The relationship between relative employment gaps and education levels appears to be much the same in Germany as it is across the EU24 group on average (compare figures 2.1 and 3.3). Migrant workers educated to a lower level are associated with lower (or positive) gaps in employment rates relative to otherwise similar non-migrants. This trend also holds true for women, who (as is the case in the EU24 as a whole) account for a large proportion of most negative employment gaps. In the UK, however, the pattern appears much more complex (see figure 3.4). For example, most of the relative employment gaps for EU migrants are positive.

Figure 3.3

Employment gap (pp) between migrants and non-migrants with the same qualification level in the German adult, non-student population, by nationality group 2012
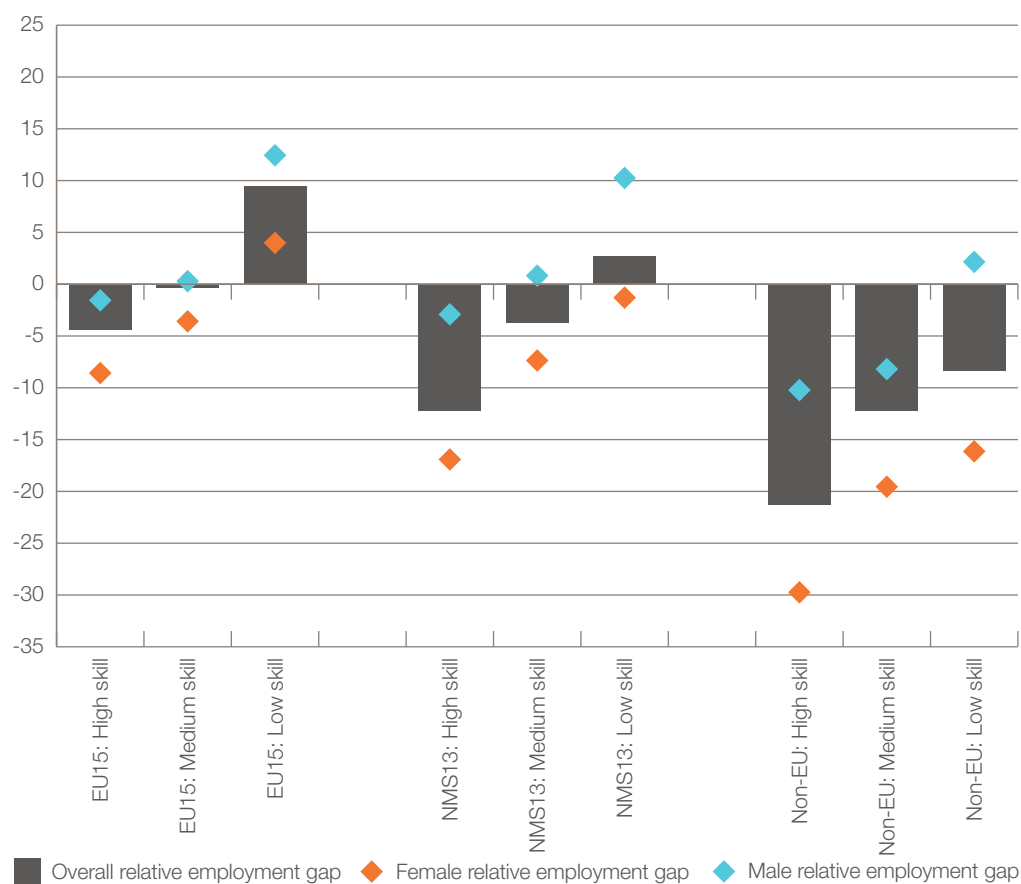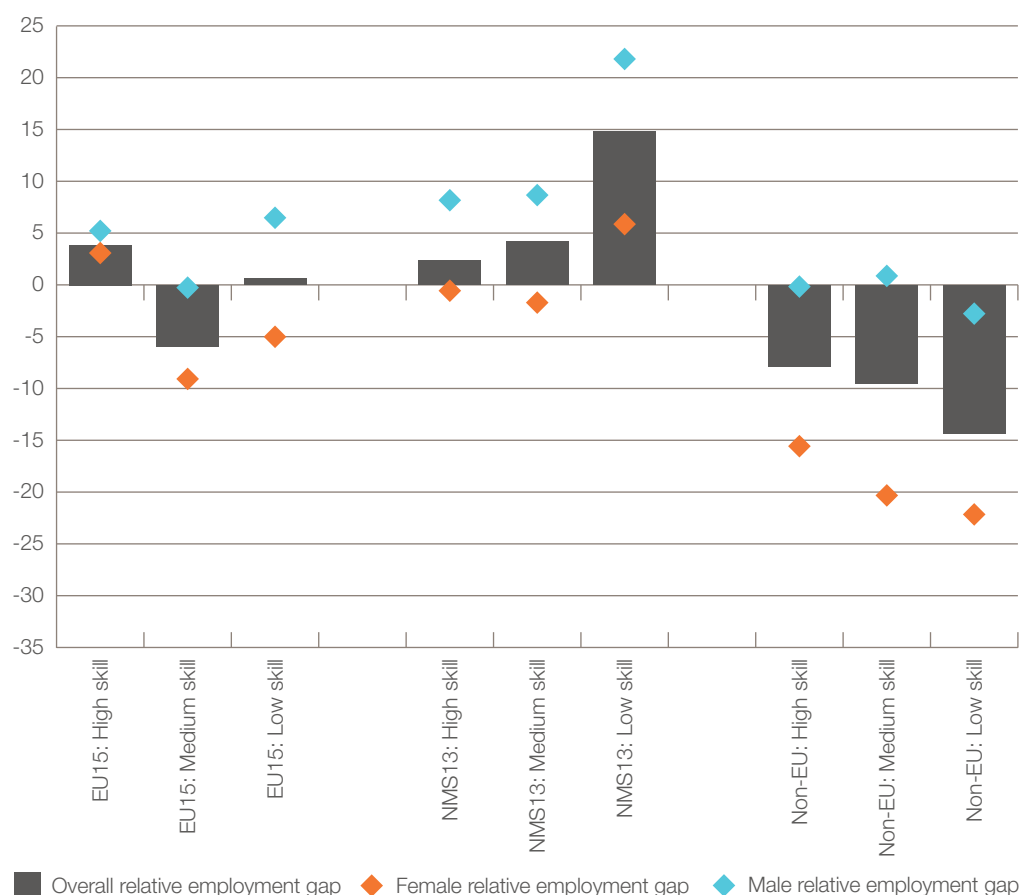

Source: Author's analysis based on Eurostat 2013

The picture in the UK labour market is one of very different employment characteristics among different migrant nationality groups. For example, NMS13 migrants of all qualification levels have (on average) higher employment rates than their counterparts in the non-migrant population, and this gap grows more positive for migrants with lower qualification levels. By contrast, non-EU migrants in the UK have a significant, negative employment gap irrespective of qualification level. Equally important, however, is the *relationship* between qualification level and relative employment gaps among non-EU migrants in the UK, which bucks the trend that holds true both in Germany and

across the EU24 group. In the UK the relative gap for non-EU migrants grows larger, rather than smaller, for lower qualified migrant workers; there also appears to be no clear association between education level and the employment gap for EU15 migrants. Perhaps of greatest significance is the fact that in the UK, as in Germany, we can see that any negative employment gaps are almost entirely accounted for by the gap in employment rates between migrant women and female non-migrants.

Figure 3.4
Employment gap (pp) between migrants and non-migrants with the same qualification level in the UK adult, non-student population, by nationality group, 2012

■ Overall relative employment gap ◆ Female relative employment gap ◆ Male relative employment gap

Source: Author's analysis based on Eurostat 2013

The employment gaps for men in all nationality groups in both countries were either positive or negligible in 2012. By contrast, in the UK non-EU migrant women have a 46 per cent chance of being unemployed or inactive (compared with 18 per cent for men), but for women who have only been in the country for a year this chance rises to 69 per cent. Non-EU migrant men are also much more likely to be unemployed if they have only just arrived in the country: 31 per cent of those resident in the UK for less than one year were out of work (Eurostat 2013). Furthermore, 33 per cent of *all* non-EU migrants in the UK who are not in work are women from southern or south-east Asian countries, and one in 10 (11 per cent) are women from sub-Saharan African countries (ibid). Individuals from these geographic regions (India, Pakistan and Bangladesh and, to a lesser extent, African countries such as Nigeria and South Africa) also account for the largest groups in the migrant population in general, so it is not altogether surprising to see that they also make up a significant proportion of the unemployed and inactive migrant population (Cooper et al 2014).

However, within other nationality groups a higher proportion of women are out of work. Almost two in three (65 per cent) of the non-student working-age women from both North Africa and the Near and Middle East are without work, while the same figure stands at 59 and 57 per cent (respectively) for members of the female population from European countries outside of the EU, and south or south-east Asian countries (Eurostat 2013).

Refugees and asylum-seekers

Also striking is the fact that men from European countries outside of the EU, as well as from Near and Middle East countries, have particularly low employment rates in the UK, with 41 percent of non-student working-age males in each population out of work (ibid). It is likely that a significant proportion of people within these nationality groups will have initially come to the UK as refugees. A study commissioned by the Home Office found that 7 per cent of migrants coming into the UK from outside the European Economic Area were refugees (Cooper et al 2014), and this figure is likely to be higher if we also include migrants coming to the UK to join family members who have been granted refugee status.[34] The restrictions on employment rights that are applied during the asylum process may in part explain the particularly low employment rates that prevail, even among men, within these nationality groups. It is likely that employment rates will be particularly low among nationality groups that may include migrants who have come from conflict regions such as the Balkans in the 1990s, and from Afghanistan and Iraq throughout the 2000s: these are precisely the nationality groups in which we can discern relatively low employment rates among men.

The need for targeted measures to improve refugees' integration into the labour market has been on the policy agenda in both the UK and Germany in recent years. In the UK, programmes such as the Refugee Integration and Employment Service in the UK have produced some successful outcomes, but its long-term sustainability is uncertain amid funding cuts in the public and not-for-profit sectors (Benton 2013). In Germany, asylum-seekers and refugees have generally been granted only limited employment rights despite the fact that many of them have valuable skills. According to representatives from the Heinrich Böll Foundation and Germany's Senate Office for Migration and Integration, the country has therefore been in the counterintuitive position of trying to encourage new flows of high-skill migration from countries both inside and outside the EU, while having significant untapped potential in people who are already living in the country but are unable to work at their qualification level or on a full-time basis. Asylum seekers in both countries also face significant barriers to work. In Germany, moves have been made to address this problem: legislative changes in 2014 have paved the way for asylum-seekers to be granted equal employment rights once they have been resident for 15 months, and for the removal of all employment restrictions for migrants who have expertise in areas of skills shortage. Those with asylum status have more working rights than they used to, we were told; it is a slow process, and there remain disparities in employment rates among refugees in Germany relative to other types of migrant – as is also the case in the UK.

Gender and family

The disparity in employment rates between working-age, non-student men and women in the largest group within the UK non-EU migrant population – those from south and southeast Asian countries – is due to the interaction of a number of factors both endogenous and exogenous to the migrant population. The employment rate for men from these countries is 87 per cent, compared with just 43 per cent for women, a large discrepancy which holds true even for highly qualified individuals (Eurostat 2013). Higher proportions of more traditional, single-earner households in some of these

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34   Comparable statistics are not available in the German survey data.

communities, coupled with complex but demonstrable challenges faced by mothers from some ethnic minorities in accessing affordable childcare (such as men being less likely to share caring responsibilities, as well as broader concerns over the cultural appropriateness of UK childcare), have been found to contribute to this overall trend (Khan et al 2014). It is worth noting that these dynamics are constantly changing and evolving – for example, since 2012 increasing numbers of Pakistani and Bangladeshi women have been engaging with the UK labour market.[35] Nonetheless, it remains true that the low employment rate of women from certain groups within the non-EU migrant population appears to almost entirely account for the average relative employment gaps of non-EU migrants in the UK relative to the non-migrant population, irrespective of qualification level. In Germany, those who fall into the non-EU migrant group are predominantly from European countries, rather than from Asia and Africa as in the UK. However, there is a similar gender imbalance within this group in Germany, and it is having a similar effect on overall employment rates for this nationality group in the labour market (Eurostat 2013.

There is a well-established literature concerned with the disproportionate exclusion of female migrants from the labour market. In addition to the supply- and demand-side challenges that all prospective migrant workers often face, a number of recent authors have observed a tendency for migrant women (rather than men) to revert to domestic occupations such as childcare (Meares 2010). Such a phenomenon has been described as the 'domestication' or 'feminisation' of migrant women, even those who, as is often the case, are employable in high-skill professions (Liversage 2009). This 'feminisation' of migrant workers who are otherwise willing to work was well-documented in a recent study of the UK care sector published by the International Organisation for Migration. It found that, in some cases, migrant women employed as care workers became so demoralised with the lack of economic security in their career that they actively sought ways to leave the profession in order to look after their own families (IOM 2012). Furthermore, and following a similar dynamic, it has been found that the ability of some groups of migrant women to engage with the labour market can be further impaired by the particular challenges they face in accessing childcare, as mentioned above (Khan et al 2014).

Related to these issues of gender dynamics is the fact that non-EU citizens are more likely than EU migrants to have migrated for family reasons as opposed to economic ones (Cooper et al 2014). Defining someone as an 'economic migrant' does not always distinguish them from other migrants in a meaningful way, nor does it necessarily describe a great deal about the nature of their engagement with the labour market. Most people need and want to work regardless of their primary reasons for migrating. Nonetheless, the reported reason for migrating does appear to correlate with some of the employment outcomes described above. For example, over a third (35 per cent) of all migrants to the UK from Pakistan and Bangladesh migrated primarily for family reasons, compared with 8 and 16 per cent of migrants from Poland and France respectively, who in this respect are representative of EU migrants as a whole (ibid). The only exception to this trend among the EU15 nationals migrating to the UK in significant numbers were German migrants, 45 per cent of whom had migrated in order to live with family.[36]

Among all migrants in the UK, those from NMS13 countries are most likely to have moved for economic reasons. This was the case for well over half of Latvian migrants (61 per cent), Poles (60 per cent), Lithuanians (55 per cent) and Romanians (53 per cent) (ibid). The greater propensity of NMS13 migrants to be seeking work as the main purpose of their migration to the UK is an obvious factor in their high employment rates. It is also probable that migrants' inclination

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35   http://www.bbc.co.uk/news/uk-22155087

36   It is possible that this may explain in part the higher (and off-trend) relative employment gaps experienced by medium-skilled EU15 migrants in the UK survey data (see figure 3.4).

towards coming to the UK to work reflects a feedback mechanism whereby this type of migration is attracted by the UK's more flexible labour market, relative to other EU24 countries such as Germany (Frattini 2014). This may partly explain why men make up a greater proportion of the NMS13 population in the UK than in Germany (see tables 3.1a and 3.1b).

The informal economy
The negative relative employment gaps among all migrant groups in Germany may reflect, among other factors, higher rates of participation in the informal economy through self-employment and similar modes of work. Being self-employed offered NMS13 migrants a means of to work in Germany while the government maintained transitional restrictions on other modes of employment. As a result, NMS13 workers still have the highest rates of self-employment (19 per cent of the employed population) of any nationality group in the country (Brenke, Yuksel and Zimmermann 2009). However, this does not explain the low migrant employment rates in Germany relative to the UK: in the latter, self-employment is generally more common among almost all nationality groups, and stands at 22 per cent among NMS13 migrants (Eurostat 2013).

Discrimination
A further significant cause of large relative employment gaps among non-EU migrants both in Germany and the UK, and irrespective of qualification level, is discrimination. Field experiments have demonstrated systematic, direct discrimination at the point of recruitment in both countries. In Germany, studies have shown that applicants who indicated a Turkish background had to submit up to 20 per cent more job applications (on average) before receiving a positive response than otherwise identical applicants who indicated a non-migrant background (Goldberg et al 1995), and that this held true even when a migrant's nationality and first language was German (Kaas and Manger 2012). A similar study in the UK found the equivalent figure for Black African, Black Caribbean, Chinese, Indian, Pakistani and Bangladeshi ethnic minorities to be between 50 and 90 per cent (Wood et al 2009). Our analysis of the EU LFS for this report has also shown that non-EU nationals are the only migrant group for whom large negative employment gaps are associated with younger age-groups (Eurostat 2013). This is likely to reflect particularly acute issues of discrimination affecting this group (Barn 2001).[37]

Direct discrimination against (and within) non-EU national groups in relation to characteristics such as age, ethnicity and gender is likely to be key to the suppressed employment outcomes for this nationality group. However, more indirect discrimination, preserved privileges within professional networks that are more favourably disposed towards non-migrant workers, and deficiencies in soft and contextual skills (even among highly qualified migrants) exert downward pressures on the employment rates of EU migrants too, especially those from NMS13 countries (OECD 2013). To some extent these effects have been offset by higher employment rates in the lower-skill jobs market. Indeed, despite significant evidence for each of these downward pressures on migrant employment rates in both Germany and the UK, it is striking that the employment rates of migrants in the UK are so much higher than those of their counterparts in Germany. This is in part due to the fact that the highly flexible UK jobs market is more receptive to the supply-side attributes of some communities within the migrant population.

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37   It is also important to note that because our definition of a 'migrant' excludes people who were born abroad but have since been naturalised, the non-EU group may be balanced towards more recent migrants, whereas EU migrants will include most cohorts. This is because naturalisation is likely to be of greater benefit to non-EU nationals.

The concentration of migrant groups in particular sectors of the economy

Examining the employment distributions of nationality groups across different sectors provides further evidence to support this argument (see figures 3.5 and 3.6). Immediately apparent is the fact that the distribution of the employment of different nationality groups across sectors is much more homogeneous in Germany than it is in the UK. In Germany, most migrant groups are disproportionately concentrated only in the hospitality sector, with the exception of NMS13 migrants who are also concentrated in construction. The pattern of employment for all nationality groups across all other sectors is remarkably similar. By contrast, the distribution of employment across UK sectors is highly heterogeneous between nationality groups. Non-migrants show the most even distribution across sectors, but EU15 migrants are particularly well-represented in education and professional and administrative services; non-EU migrants are concentrated in hospitality; and NMS13 migrants are significantly well-represented in manufacturing and construction, as well as in hospitality.

Figure 3.5
Distribution of employment across sectors in Germany, % of German adult, non-student population, by nationality group, 2012
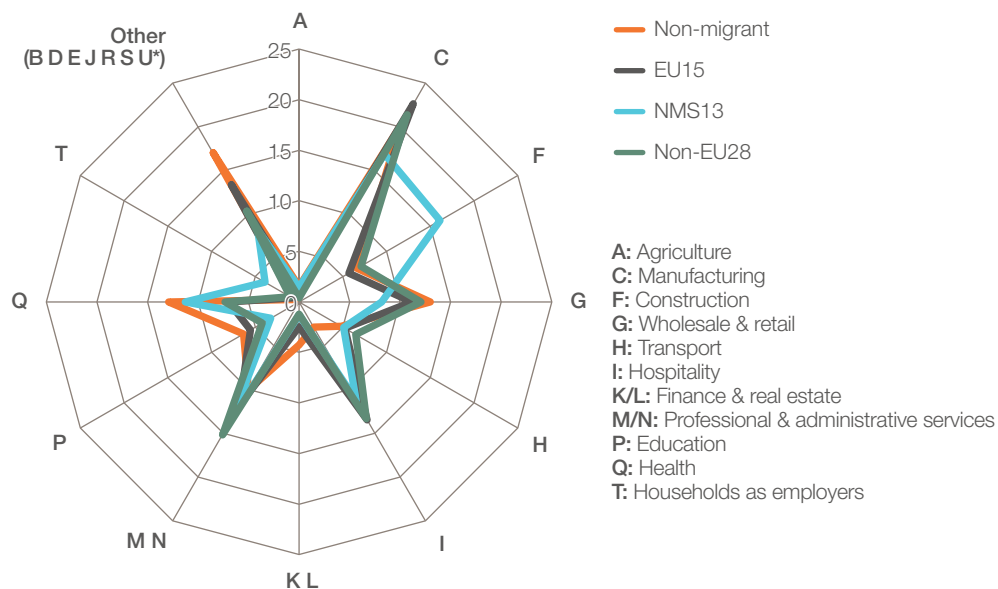
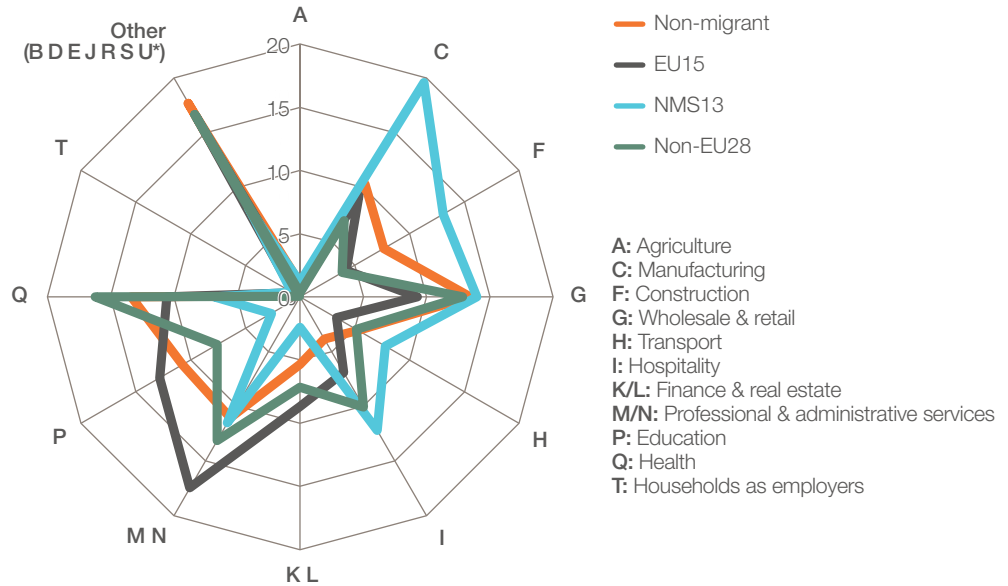Source: Author's analysis based on Eurostat 2013
*Note: See appendix for a full list of sector codes.

The combination of positive relative employment gaps for lower educated migrant workers – combined with concentrations of migrant employment in low-skill sectors of the economy – indicates that dual pressures are affecting migrant employment rates. On the one hand, gender dynamics, discrimination, access to networks and soft-skill deficiencies act as downward pressures on migrant employment outcomes, especially in the high-skill jobs market. These factors increase demand-driven slack within other sectors of the economy, as even high- and medium-skill migrants are driven to compete for less coveted jobs or else drop out of the jobs market altogether. The effect of both is to lower employment rates for higher-qualified migrants relative to their counterparts in the non-migrant population.

Figure 3.6
Distribution of employment across sectors in the UK, % of adult, non-student population, by nationality group, 2012

Source: Author's analysis based on Eurostat 2013
*Note: See appendix for a full list of sector codes.

Migrant workers in the UK care sector

Some employers pursue aggressive recruitment programmes that are targeted explicitly at labour from abroad, which may be a contributing factor to the high concentrations of some groups of migrant workers in lower-skill sectors of the economy. In its study of the UK care sector, the International Organization for Migration (2012) found a recurring problem: employers had recruited from abroad by giving false promises to prospective migrant workers. Professional nurses from eastern Europe and Asia came to the UK thinking they were furthering their careers, but were actually given work as cleaners and care assistants. In instances such as these, professional workers are channelled into lower-skill industries before they have even migrated. One person described their experience as follows.

> *'I'm a nurse in the Philippines. I came here in 2004 for my adaptation. There were 15 in my group and the recruiter told us we were going to be working in a nursing home and would do adaptation so we paid money. When we came here, nothing happened. I lived in London for three months. I ended up doing work like cleaning and looking after the elderly.'*
> IOM 2012

Similarly, a Polish worker came to the UK thinking they were going to be offered employment as a social worker.

> *'What can I say because I am helping and I wanted to have this experience and I want to help people. But I feel deep inside unfulfilled because of the work. I am not using all of my skills. My goal right now is a one-year contract and maybe in the meantime I will find something better.'*
> IOM 2012

In addition to the above, and insofar as diaspora communities can act as a 'pull factor' for incoming migrants from their respective nationality groups, there may by a degree of path dependency in the settlement of new migrants. This can mean that new migrant workers may choose to settle in geographic areas where

there may be relatively few highly skilled jobs, irrespective of whether these workers may in fact actually be better suited to higher-skill work. According to a representative from the Heinrich Böll Foundation who we interviewed, there is little regulation of migration flows to Germany, and so it is very difficult to incentivise high-skill migrants to move to where the jobs are. Most European migrants tend to move to Berlin, where there are not as many jobs, rather than to areas like Stuttgart and Munich which are in much greater need of migrant workers. Highly qualified migrants often stay in precarious employment in Berlin rather than move somewhere else, which is why qualified migrants from places like Spain and Italy can often be found working in relatively low-skilled jobs, particularly in the service sector.

Counterposing these downward pressures on migrant employment rates are factors that can serve to increase the employment rates of migrants, albeit with biases towards the low-skill end of the job market. These include residential flexibility, greater propensity to work in less secure and less well-paid occupations, and network clusters for some migrant groups and in certain sectors of the economy. These factors appear to be particularly significant in the lower end of the jobs market, and act to offset (or, in the case of the UK, more than compensate for) the effects of some of the labour market integration challenges described above. This may explain not only the positive relative employment gaps for lower-educated EU migrants in both the UK and Germany, but also the higher absolute employment rates of EU migrants in the UK.

3.3 Underutilisation of skills in Germany and the UK

Summary of findings
- The higher employment rates for NMS13 and non-EU migrants in the UK compared with those in Germany appear to have come at the cost of greater overqualification and a misallocation of skills in the economy.

- This underutilisation is particularly striking given that non-EU migrants in particular are (on average) much better educated in the UK than in Germany.

- Such underutilisation of skills is most common among men who took up residency prior to 2007.

The UK has higher absolute employment rates and lower relative employment gaps than both Germany and the EU24 average. However, this has come at the cost of significant overqualification and misallocation of skills in the UK economy, which also represents significant underutilisation of the migrant population.

Figures 3.7 and 3.8 illustrate the distribution of employment across job levels for high-skill workers in the UK and Germany. The extent of overqualification is significantly greater in the UK. Indeed, the 82 per cent of highly qualified non-migrants in the UK who are employed in high-level occupations compares unfavourably not only with their counterparts in Germany (89 per cent), but also with EU15 migrants in the UK (86 per cent) (Eurostat 2013). This fits with the sector analysis above insofar as it can be observed that EU15 migrants are disproportionately concentrated in higher-skill sectors of the UK economy.
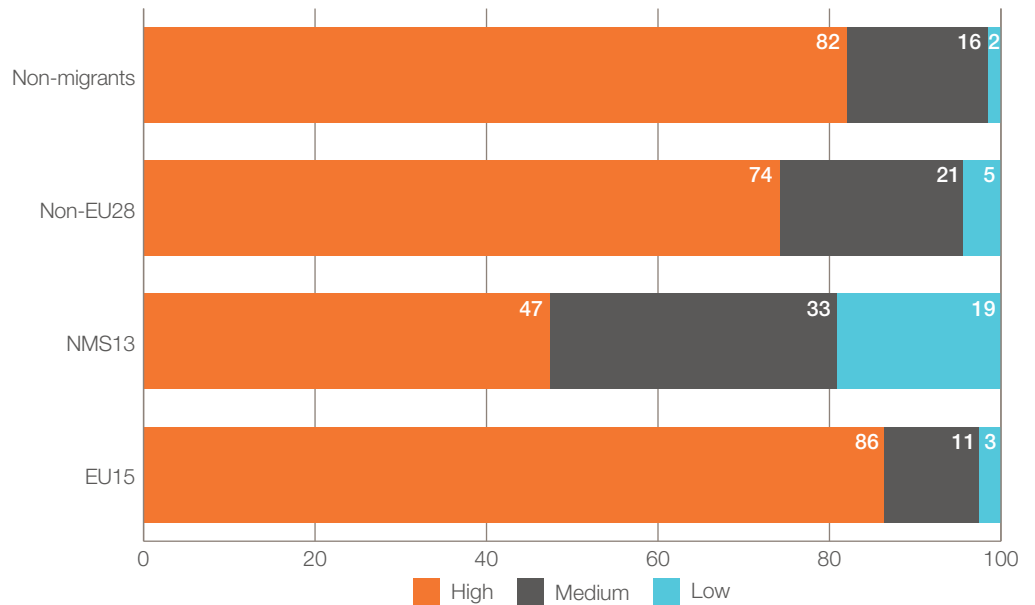
Figure 3.7
Tertiary-educated workers in the German adult, non-student population by occupation level (% of total employed) and nationality group,[38] 2012
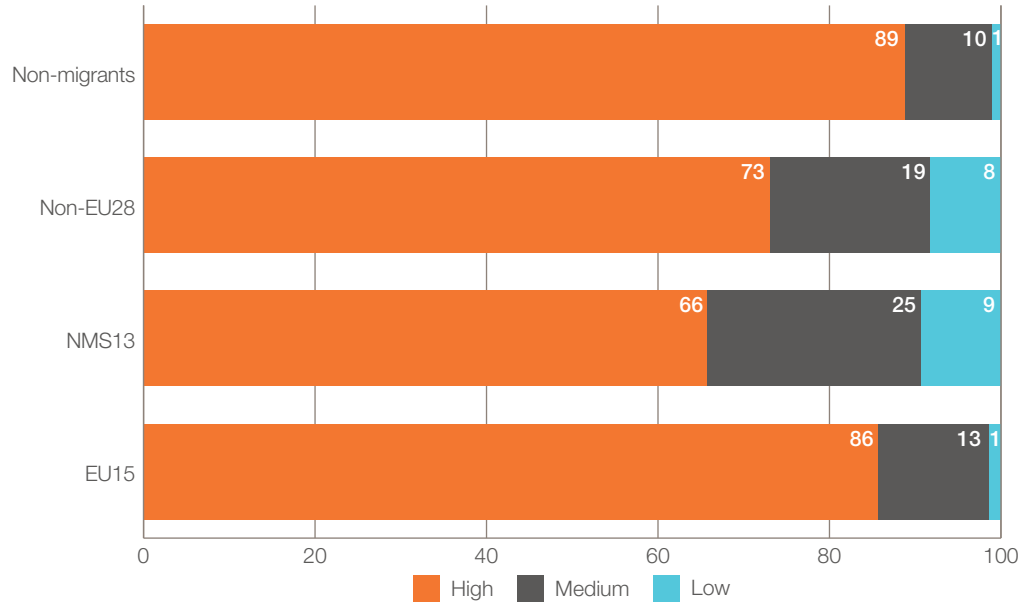
Source: Author's analysis based on Eurostat 2013

Figure 3.8
Tertiary-educated workers in the UK adult, non-student population by occupation level (% of total employed) and nationality group, [39] 2012

Source: Author's analysis based on Eurostat 2013

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38   See section 1.3 for a definition of occupation levels.
39   See section 1.3 for a definition of occupation levels.

However, non-EU and especially NMS13 migrants experience even higher levels of overqualification, and fare much worse in the UK than in Germany in this regard. This supports the argument that higher employment rates for these groups are in fact driven by the tendency of these nationality groups to be employed in lower-skilled sectors of the economy, irrespective of qualification level. The result is that despite high rates of employment among tertiary-educated NMS13 migrants in the UK labour market (88 per cent), relative to non-migrants this group is significantly underutilised due to overqualification and a misallocation of skills. Less than half (47 per cent) of degree-educated NMS13 migrants in the UK work in a professional or managerial occupation, and one in five (19 per cent) work in an elementary job. By contrast, 82 per cent of the tertiary-educated non-migrant population, and 86 per cent of the EU15 tertiary-educated population, were employed in managerial or professional roles. NMS13 migrants also suffer most from overqualification in the German labour market, but even there two-thirds (66 per cent) of tertiary-educated workers are able to find work in higher-level occupations. Non-EU migrants are also significantly underutilised with regards to skills allocation, both in the UK and in Germany, in addition to the group's large relative employment gaps, discussed above (Eurostat 2013).

Many of the challenges that contribute to overqualification are the same as those that stand in the way of migrant integration, as discussed previously – indeed, they are part-and-parcel of the same labour market mechanisms that cause the relationship we have observed between relative employment gaps and qualification level. Furthermore, many of the migrants who come from NMS13 countries may only intend to settle and work temporarily. Given the pay differentials between (even low-level) jobs in countries such as the UK and Germany on the one hand, and jobs in other areas of Europe and the world on the other, there may in some instances be few incentives for highly qualified temporary migrants to seek higher-skill work. This is not likely to be typical, however, and even where the overqualification of a migrant is voluntary, it nevertheless represents a loss in human capital to the economy in which they are resident. Evidence has also shown that migrant and non-migrant workers are often complimentary to one another, in terms of the soft skills they have to offer, across a labour market. The greater variation in unobservable (soft and contextual) skills among the migrant (relative to non-migrant) population may also explain in part why some highly qualified migrants are more concentrated in different sectors of the economy than otherwise similar non-migrants (Rienzo 2014b).

Do migrants face restricted opportunities in the workplace?

Restricted opportunities within the workplace are also a key factor contributing to the misallocation of skills, particularly where more highly qualified migrants are less likely to experience in-work progression than their non-migrant peers. A study by the Joseph Rowntree Foundation (Hudson et al 2013) found that employers believed migrants were choosing not to put themselves forward for development or promotion, perhaps because of their own perceptions about the likelihood of their success. One manager said:

> 'I think [promotion opportunities] would equally be there for everybody. Maybe some people would be less confident in thinking themselves... maybe because of their English, or they just think, maybe, they would be thinking… they are going to give it to the British people, do you know what I mean? Maybe they would think that, in themselves, and that would, maybe, hold them back from going forward. But definitely, it would be above board, it would be, they could go on the same training courses as me. I could go on the same training courses as them. The training is there for everybody.'
> Hudson et al 2013

However, a human resources manager in the NHS thought that issues of discrimination and harassment in the workplace were not uncommon. It is likely this would feed into migrants' perceptions of restricted opportunities in the workplace.

'[a manager] was arguing… we have got a diverse workforce so isn't it expected there is going to be issues anyway associating diversity with reports of bullying and harassment? I was like, no, we do have organisations that sit in even more diverse areas with more diverse workforces and they have lesser numbers of reported incidences of bullying and harassment. And he was like, 'Oh will you show me next time?' I was like, 'yes, I would'.'

Hudson et al 2013

On average, men are more likely to be overqualified than women in both the UK and Germany. Indeed 54 per cent of all employed NMS13 migrant men in the UK with a tertiary education were working in medium- and low-level jobs, making them 6 per cent more likely than similarly educated NMS13 migrant women to be overqualified. For non-EU migrant men in the UK, the same figure was 28 per cent, making them 16 per cent more likely to be overqualified than non-EU migrant women. For NMS13 migrants in Germany, the gender disparity is even greater: tertiary-educated men in this group are 32 per cent more likely than their female counterparts to be overqualified (Eurostat 2013). It is likely that these statistics are in part a reflection of the 'feminisation' dynamic discussed in section 3.2, whereby highly qualified migrant women who are unable to engage with the high-skill jobs market are more likely to drop out of employment altogether, whereas men appear more likely to take up lower-skill work.

Of equal importance is our finding that for almost all migrant groups in both Germany and the UK, migrants who had been resident for more than six years and were currently in work (in 2012) were more likely to be underemployed than those that arrived within the five years leading up to 2012. There is no clear explanation for this. While it may indicate that migrants are struggling to progress in the labour market (Granato 2014), there is also evidence to suggest that highly qualified migrants use lower-skill work as a stepping-stone to higher-skill work as they reconfigure their soft and contextual skills to an alien labour market. To the extent that this latter point is true, it may also mitigate the extent of the underutilisation of migrants over the medium-to-long term. Equally, our finding may reflect progress made by employers in terms of more effective skills-matching for recent migrants. It might also be explained by the fact that workers in less-skilled jobs were more likely than those in higher skilled work to become unemployed during the financial crisis. In the case of non-EU migrants in the UK, it may also reflect changes to legislation that required new migrants to have secured better-paid work before being allowed to bring their family to settle in the country.

4. CONCLUSION

The argument advanced in this report is that the underutilisation of the skills and talents possessed by migrants is considerable, but is concentrated to specific groups within the migrant population. We consider underutilisation in terms of two key indicators: lower employment rates, and higher levels of underemployment (in terms of overqualification), relative to the non-migrant population. Our findings show that all migrants in Germany are underutilised with regards to employment rates, whereas in the UK – and on average across the EU24 – relatively low employment rates are largely limited to the non-EU migrant population. However, relative employment gaps – that is to say the employment gap between migrants and otherwise similar non-migrants – vary significantly within nationality groups. On average across the EU24, relative gaps grow smaller (or turn positive) for migrants with lower qualification levels, which suggests that migrants are particularly underutilised at the higher end of the jobs market. Conversely, lower-qualified EU migrants tend to have higher employment rates than otherwise similar non-migrants (in both the UK and Germany, and on average across the EU24). In addition, almost all relative employment gaps are accounted for by lower employment rates among women in the migrant population relative to the non-migrant population – irrespective of qualification level or nationality group. Finally, our sector analysis demonstrates higher concentrations of migrants (relative to non-migrants) in industries that are often associated with low-skill and insecure work, and that this effect is more profound in the UK than in Germany.

To explain these findings, we posit an overarching dynamic that underpins migrant employment outcomes, one that is the result of a complex interaction of factors including issues of gender, discrimination, recognition of qualifications, migration routes, labour market structures, employment rights and network 'clustering'. This dynamic is made manifest in the lack of integration of migrants into the high-skill jobs market, which leads to demand-driven slack within other sectors of the economy as even high- and medium-skill migrants have to compete for less coveted jobs. Meanwhile, this downward pressure is offset to varying degrees by factors which lead to migrants being better represented at the lower end of the jobs market. The result is a tendency towards low relative employment rates among highly qualified migrants (relative to their counterparts in the non-migrant population), but higher relative employment rates among lower-qualified migrants. This mechanism is apparent in both the UK and Germany, but whereas in Germany it has led to low employment rates for highly skilled migrants, in the UK it has largely resulted in gross overqualification among this same group. We see further evidence of this dynamic in the concentration of NMS13 and non-EU migrant workers in typically lower-skill sectors of the economy across the EU24, but particularly in the UK.

One of this report's key argument is that these trends indicate that the underutilisation of migrants in the labour market is a problem both large in scale and varied in nature, and is the result of a complex mix of factors. Low rates of employment (both relative and absolute), and the acute misallocation of skills, among a particular group of the migrant population represent not only lost opportunity and decreased wellbeing for migrants themselves and for society more widely, but a loss of economic potential for employers and countries alike. The challenges associated with resolving this underutilisation of talent are manifold, and cover a wide range of areas within social and economic policy. However, the present situation might give policymakers and employers cause to rebalance their attention away from a preoccupation with the management of future inward migration flows, and towards the issue of hitherto unutilised potential within existing migrant populations across Europe.

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APPENDIX
SECTOR CATEGORIES

Table A.1
List of sector categories used in this report, with corresponding codes from
European Classification of Economic Activities (NACE) Rev. 2

Our sector name	NACE Rev.2 code(s)
Agriculture	A
Manufacturing	C
Construction	F
Wholesale and retail trade	G
Transportation and storage	H
Hospitality	I
Finance and real estate	K and L
Professional and admin	M and N
Education	P
Health	Q
Households as employers	T
Other	B, D, E, J, R, S and U

Source: Eurostat 2008