

Not the Problem, Part of the Solution: Immigration in the Recession

Speech by Trevor Phillips at 'Calibrating Migration for a Global World'

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Last year, in Birmingham, I spoke on the anniversary of Enoch Powell's "Rivers of Blood" speech. We wanted to use that moment to pause, to take stock and to assess where we were 40 years after Powell lodged his infamous phrase in the public consciousness. It was a fitting moment for the Commission to engage with the immigration debate and present a vision of a policy that balanced the needs of our economy – in attracting the people that we need to sustain our standard of living – with the challenge of maintaining good relations in our society. We wanted to focus on how our ability to live side by side with each other was changing and look at what action we could take to secure the bonds that hold together our cities, our towns and our neighbourhoods.

This was an approach that said: the ability of this country to accept immigrants should be determined by economic need, by our ability to maintain social stability and how well we can balance levels of cultural compatibility. We argued that immigration and integration were reciprocal and it was only through managed migration and active integration that we could find a way to balance societal need with society's concerns. So this was an attempt to recognise that while immigration has a huge positive effect on our country – economically, socially and culturally – it has also led in some places to increased tensions, suspicion and resentment. In essence, not only do we need to think about what it adds to our prosperity, but also about our capability to manage its consequences.

So, today for us is about moving that debate on still further.

We know that the landscape has shifted since then. January saw us fall into recession for the first time since the early 1990s. So far, a recession like no other

we've witnessed in recent history. In the last six months of 2008, our economy shrunk by more than 2%, compared to a total of 2.5% over 20 months during the last recession 19 years ago. Unique to this downturn is also the fact that all sectors have been hit. The worst hit – manufacturing – could see a contraction of 16% over the course of this year if the trend continues.

The topic of today's Summit – Calibrating Migration for a Global World – takes on a new dimension in the face of this global recession. Like the ancient Greeks' idea of Ouroboros – the tail-devouring snake – the global financial system seems to have turned on itself. The systems that brought us a feeling of security through sixteen years of uninterrupted economic growth, through increased prosperity and increasing standards of living have been exposed. Like Dorian Gray in Oscar Wilde's novel, we have managed to escape the true cost of the last ten years, but finally it's now beginning to catch up with us. The picture is coming out of the attic. Shared certainties – that markets are supreme, banks are stable and growth is unbounded – have evaporated, leaving people feeling doubtful about what the future has to hold.

And in times of doubt or fear, the finger of blame can be pointed at those who are different or don't quite belong. Those who might seem to be the most dispensable or those who are thought to lack the entitlement to the benefits that society would normally confer. And we know that immigrant communities are often the target of those feelings. Such emotional responses are complicated and not always easy to analyse. They are the consequence of entirely understandable and legitimate concerns from people who see their communities changing all around them, recession hitting hard, and a result of misunderstanding a confluence of events that are beyond their control. As we know, correlation does not imply causation, but for many people the distinction is not one that is drawn on the street.

The mother or grandmother who worries about the fact that while she was comfortably settled in a council house, her children or grandchildren are now struggling to get on the housing ladder at all and have no chance of finding a place in social housing. The father who feels that his child is being held back in a school where over fifty languages are being spoken in the playground and, as a result, teachers find it hard to give every child the attention they deserve. Or the family who look around their market town and thinks that change has come too fast; that the place has become unrecognisable in just a few years.

But there's a deeper truth. That the mother who worries about her children's ability to get their foot on the first rung of the property ladder is probably relying on Polish builders to provide that new home. The father who worries about his son being held back in school may also be looking to a Slovakian nanny to provide his childcare. And the family in the rural market town are probably seeing it change quickly around them because migrant workers are there to do the agricultural jobs that hitherto British people simply won't do.

My point is a simple one. That although immigrants have been the target of hostility, many of us have been taking advantage of economic growth and a higher standard of living that has been made possible only by the availability of cheaper or better skilled migrant labour. Just because the country is now feeling the effects of recession, it is not the time to roll back on our belief in the positive powerful effects of managed migration. Instead, we need to ask how migration can help to see us through this downturn and into the recovery, how we can harness the best talent

from home and abroad to rebuild our economy and how we can communicate a simple message: Immigration is not the problem. It is part of the solution.

Our first step is to work to combat the hostility faced by migrant groups. And we have to begin by understanding that the effects of immigration are not evenly spread. And I mean that in terms of the communities that receive immigrants and the groups of people who are affected.

We know that the spread of immigrant labour across the country is uneven. The dispersion may be wide – from cardiovascular surgeons in London to cockle pickers in Orkney – but there is a clear concentration of immigrants in certain parts of the country. It will come as no surprise that London – long a centre for migration – continues to draw the largest numbers. 39% of the population are foreign nationals.

A further 19% live somewhere in the South East.

In recent years, however, the balance has shifted. Those arriving from the eight EU accession states seem to have spread themselves wider, with only 26% living in London. The research being launched today from Centre for Cities attests to these changes in Bristol and Hull and Dermot will talk more about this later.

The concentration of immigrants can tell us a lot about where there may be issues emerging. But that is only half the story. We also need to know who is going to be affected. Our research conducted alongside the Migration Policy Institute draws attention towards these groups.

Firstly, those who face the greatest barriers to entering the labour market and end up in part-time, low skilled jobs – such as single mothers or young people. Our research suggests that they may find themselves edged out by immigrants who possess better or more advanced skills. One US study found that a 10% increase in the immigrant share of the labour market reduced teenage employment rates by 4.8% as employers opted for the more productive workers. In many cases, the skills employers are opting for are not academic skills, but ‘soft’ skills that are becoming increasingly important in an economy where low skilled jobs are often found in public facing parts of the service sector.

Secondly, those in manual occupations. Our review of the current research in this area showed that disadvantaged native workers – often those with poor communication, literacy or numeracy skills – were being pushed out by more able immigrant workers. And this doesn't happen because employers have an arbitrary preference for migrants. It's because often they simply do the jobs better than us. Immigrants are, in the words of economists, substitutes. So while there's only one Equality and Human Rights Commission and, therefore, thankfully no international competition for my job, the same can't be said when you see the large numbers of American bankers, Portuguese cleaners or Nigerian security guards who are looking for and winning jobs in the UK.

The third group of people that are unlikely to feel the benefits of immigration are previous immigrants. This is perhaps one of the most significant, and maybe surprising, findings. Since new immigrants and previous immigrants are, in the eyes of employers, close substitutes, previous immigrants often find themselves out of a job in favour of someone from one of the more recently arrived groups. A recent

study in the US found that a 10% increase in the share of low skilled immigrants reduced previous immigrants' wages by 8%, compared to a reduction of 0.6% with low skilled natives. Another found that new immigration to California between 1990 and 2004 reduced the wages of previous immigrants by between 10 and 20 per cent. This might go part of the way to explaining why, when polled, there is absolutely no difference in attitudes towards immigration between different ethnic groups. Attempts to racialise the modern immigration debate are misguided and those political parties that try to go down this road are not only wrong; their assumptions are flawed and their arguments are outdated.

So, three groups – previous immigrants, those in manual occupations and those with the highest barriers to entry – will find themselves benefiting the least from immigration. But our bottom line is this. The effects on these particular people may be severe, but on balance the positive impact of immigration wins out. Our research with the MPI has confirmed what every mainstream economist has said before – that the effect of the presence of immigrants on the wages and employment rates of native workers is small to nil. Responding to these problems by clamping down on immigration would be like using a sledgehammer to crack a nut. Our response really has to be targeted towards addressing seriously the areas of real concern – both in terms of the geographical communities affected and the people who are feeling the pressure – but at the same time allowing migration to play a positive role in our society.

The world we're likely to find after this recession is over - and we begin to rebuild our economy - is unlikely to look much like the one we have just left behind. As I mentioned earlier, our manufacturing sector has already taken a severe hit – others will follow – and further contractions are inevitable and will ultimately lead to more people being unemployed. The solution will not just lie in finding people new jobs in the old industries. The jobs in those industries will be increasingly hard to locate. The solution will lie in adapting our workforce to a new economy – an economy that will be more knowledge driven, not built around the large hulking industries and even more reliant on innovation and skilled workers to fuel growth.

And not only will our economy be changed, but our available workforce will look different too. In just a couple of years, only 1 in 5 of the UK's workers will be white, male, not disabled and under the age of 40. Put simply, we're going to be in a very different place to where we were forty or fifty or even twenty years ago, when the hierarchy of the workplace put the white, male, blue collar worker firmly at the top of the labour pile. The workforce of the future will be more diverse than ever - full time, part time, permanent, agency, migrant, native. As we move forward, we will stand to face more challenges around the structure of the workplace.

So, against that background, we need to look closely now at the position of UK workers and their ability to compete for jobs. Employers will want to make sure that they have the best talent for the lowest price. The recent wildcat strikes that began after a dispute at the Lindsey Oil Refinery demonstrated the lengths employers go to in order to ensure they are working at their most competitive. Behind that dispute is the fact that Total, the company involved, didn't "overlook" local labour, but that they took the decision that employing foreign workers was more profitable. Our workers were, put simply, not productive or competitive enough. If we are going to rebuild effectively after the recession, and maintain good relations throughout it, the priority has to be in up-skilling and re-skilling our labour force to enable them to compete

with often highly skilled, productive migrants, the mobile workforce, who can keep the profit margins of the companies they work for high. If we don't manage this, the events at Lindsay will be repeated across the country as British workers find themselves unable to compete.

And that work has to start now.

Firstly, we know that the manufacturing sector will continue to decline and that highly skilled jobs in other sectors will continue to be awarded to more skilled migrant workers. In order to alleviate the pressure on particular communities, government should be looking now to identify where the most severe losses will fall and begin the process of retraining and up-skilling in order to ensure that if people are out of work it is for as little time as possible. Bitter experience of the past tells us what happens when unemployment hits: families break down, divisions emerge and communities fall apart. We cannot afford to allow a repeat of the mistakes of the past and for economic recession to lead to social regression.

Secondly, we have to redouble efforts to ensure we have effective integration policies in place locally. Immigrant integration not only contributes to social cohesion and public confidence, but also ensures that when shocks such as this recession happen, communities have the capacity to respond. And integration goes both ways. Programmes have to be designed and implemented that encompass both new arrivals and native residents; making both sides understand each other. These measures can go from providing opportunities for immigrants to volunteer in their new communities to bringing children together through youth groups and summer schemes.

Finally, local, regional and national government have to take responsibility and do their bit to provide the strong and clear leadership that is needed. Local councils and RDAs need to be acknowledging the contribution that immigrants make to the local economy. But in order to be able to do this, government needs to support them with policies that acknowledge the pressure in some areas and respond to it. We cannot afford to let a crisis of leadership bring about a force that could fracture our society.

Immigration has changed this country: in the choices employers make, the way our communities organise themselves and in the way the people around us look. These changes are going to continue apace and it is our responsibility to ensure that we have the means necessary to adapt to them; whether that's in our neighbourhoods or our workplaces. Just as immigration helped to fuel the economic growth of the early 21st Century, so it will fuel the recovery from this recession. And it is at our peril that we fail to recognise the changes we must make today in order to rebuild for tomorrow.

Thank you.