

## Immigration after Brexit: evidence and issues

**Employment and Wages** Immigration adds to labour supply; but it also adds to labour demand. As far as we can tell, these effects mostly balance out in the UK. Even in the short-term migration does not appear to have had a negative impact on the employment outcomes of UK natives. Rapid falls in unemployment, now down to about 5%, have been combined with sustained high levels of immigration. Nor is there any evidence that immigration has impacted the employment prospects of specific groups such as the young or unskilled. Crudely, immigrants are not taking our jobs. Similarly with wages – it appears migration has had little or no impact overall, but possibly some, small, negative impact on low-skilled workers. The most recent research found that immigration since 2004 might have reduced wages for native workers in the low-skilled service sector by about 1%, or put another way would have depressed annual pay increases by about a penny an hour. Impacts in other sectors are even smaller. Other factors, positive and negative (technological change, policies on tax credits, the National Minimum Wage) were far more important.

**Productivity and growth** It has been argued that EU migration is likely to have depressed productivity growth, since new EU migrants are on average paid less than the average of the current workforce) or because the availability of relatively low-paid but flexible workers reduces the incentive to invest in labour-saving and/or productivity-enhancing equipment. There is however little evidence to substantiate these claims: the UK's recent abysmal productivity performance coincides with the financial crisis and its aftermath (which of course in turn led to a fall in migration) rather than the earlier sharp rise in migration. Internationally, there is considerable empirical evidence of positive impacts from migration on productivity.

### **Fiscal and public service impacts**

Research finds that recent migrants, especially those from the EU, had a more positive fiscal impact on average than natives. Of course, it is hardly surprising that young migrants in employment make an initial positive fiscal contribution. There are various reasons to expect the impact to still be positive over the long term (in particular, migrants tend to arrive after they have left compulsory, publicly financed education). However, positive net impact on public finances at the national level does not preclude significant impact on demand (and hence cost) at the local level, particularly if funding allocations do not adjust quickly (or at all) to reflect pressures resulting from migration. But broader concerns about the potential negative impacts on public services appear to be largely unsubstantiated: higher immigration are not associated, at a local level, with longer NHS [waiting times](#); and in schools, increased numbers of pupils with English as a second language [doesn't have](#) any negative impact on levels of achievement for native English speaking students. If anything, pupils in schools with lots of non-native speakers do slightly better.

### **Economic impacts of post-Brexit reductions in migration**

In my recent research I estimate the impact on migration flows of free movement, based on the UK's historic experience; we find that free movement resulted in very large increases. It therefore seems likely that, post-Brexit, restrictions on free movement are likely to result in significant falls. I also look at the research evidence to estimate the impact of such falls on wages for low-skilled workers and productivity/GDP per capita. The conclusion is that the reductions in migration resulting from Brexit are likely to have a significant adverse impact on UK productivity and GDP per capita; that is, to make us considerably poorer on average. These estimates are illustrative; however, the existing empirical evidence supports the broad conclusion – that Brexit is likely to result in significant falls in EU migration to the UK, and that will have a negative impact on UK growth (and growth in per capita terms) but only a slight positive impact on wages for low-paid native workers.

## Immigration after Brexit- six myths

1. **"Even if we end free movement, there's no way we'll ever get immigration to the tens of thousands".** EU migration is already falling, for several reasons: the fall in the pound, recovery in the eurozone, and the psychological and (in future) legal impacts of Brexit. Combined with likely falls in non-EU migration as well, immigration might fall faster than anyone expects – even before we introduce a new system.
2. **"After Brexit we can adopt an 'Australian-style points based system.'** After Brexit we'll have a system where the UK government sets out some criteria (skills, occupations, salaries, numerical limits etc) for work-related migration from the European Economic Area, as it does at present for non-EEA migration. But this tells us almost nothing about what the overall system will look like post-Brexit. The two key choices are whether the new system gives preference to EEA citizens or will it treat all non-UK citizens equally; and whether the new system is relatively liberal, accepting perhaps an increase in skilled migration from outside the EEA at the same time as reducing EU migration, or restrictive, still aiming to hit the government's target to reduce net migration to the tens of thousands?
3. **"Ending free movement means we'll 'take back control' of our borders"** Immigration control (of EEA nationals) does not (mostly) mean border control. Americans, Brazilians and Australians already come to the UK without a visa; it doesn't seem likely we're going to require EU citizens to get one. And EEA nationals (like UK nationals) already have their passports checked at entry. So we're not going to stop people coming here. Stopping them working here won't happen because of "border control" – as with Americans or Australians, it will be applied in the workplace. Employers will have to check that EEA nationals are entitled to work in the UK, just as they currently do for non-EEA nationals.
4. **"To stop EU migrants 'sneaking in through the back door' we'll need border controls with Ireland".** No -see 3. Why would someone who plans to work illegally in the UK go via Dublin when she can simply fly to Stansted? There will be issues relating to people coming via Ireland) but we won't be controlling migration on the Irish border. The need for control on movements of goods (assuming we leave the Customs Union) is a much more difficult issue.
5. **"Ending free movement means we'll be able to have 'only the [high-skilled] immigrants we want/need'** No system can select perfectly, or even close to it. The view that we can devise an immigration system that allows in those, and only those 'immigrants that have the skills we need' is fantasy. Moreover, it also ignores the fact that migration is not just a matter of the UK choosing migrants; migrants have to choose us. Even if we wish to remain open to skilled migrants from elsewhere in the EU post-Brexit, they may not choose to come here (or remain here) - as we're already finding out.
6. **"Leaving the EU will enable us to reduce burdens on business – especially damaging employment rules"** See 3 again. **Ending free movement will definitely result in a large increase in the regulatory burden on business.** Employers will have to check the rights of EU citizens to work, just as they do now for non-EU citizens. Almost certainly there will be a significant increase in illegal working, and the Home Office will need to devote more resources to enforcement. The size and role of the state is likely to expand, not contract.

Jonathan Portes

Professor of Economics and Public Policy, King's College London