
Labour Migration to the UK

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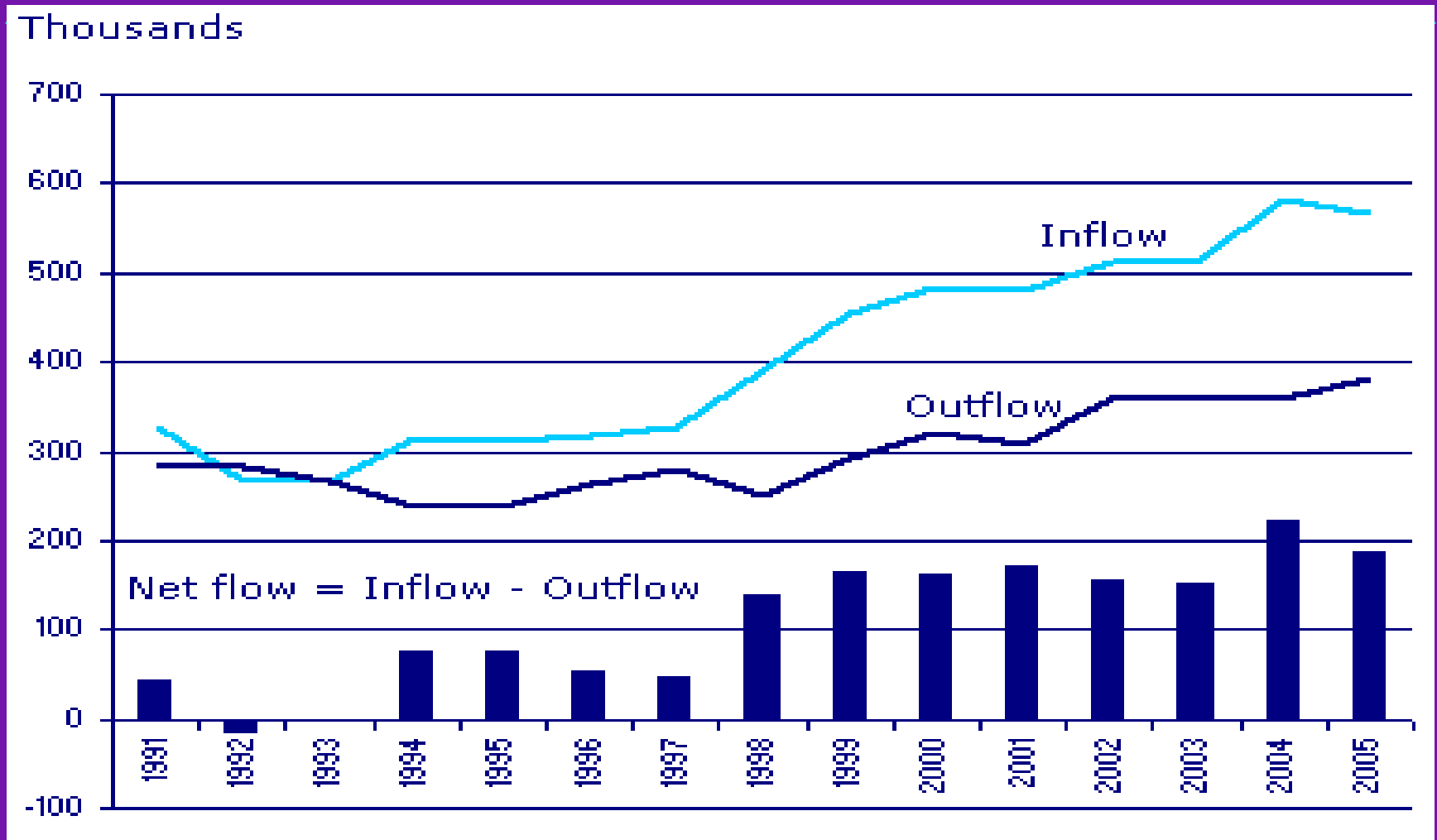
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Context and summary

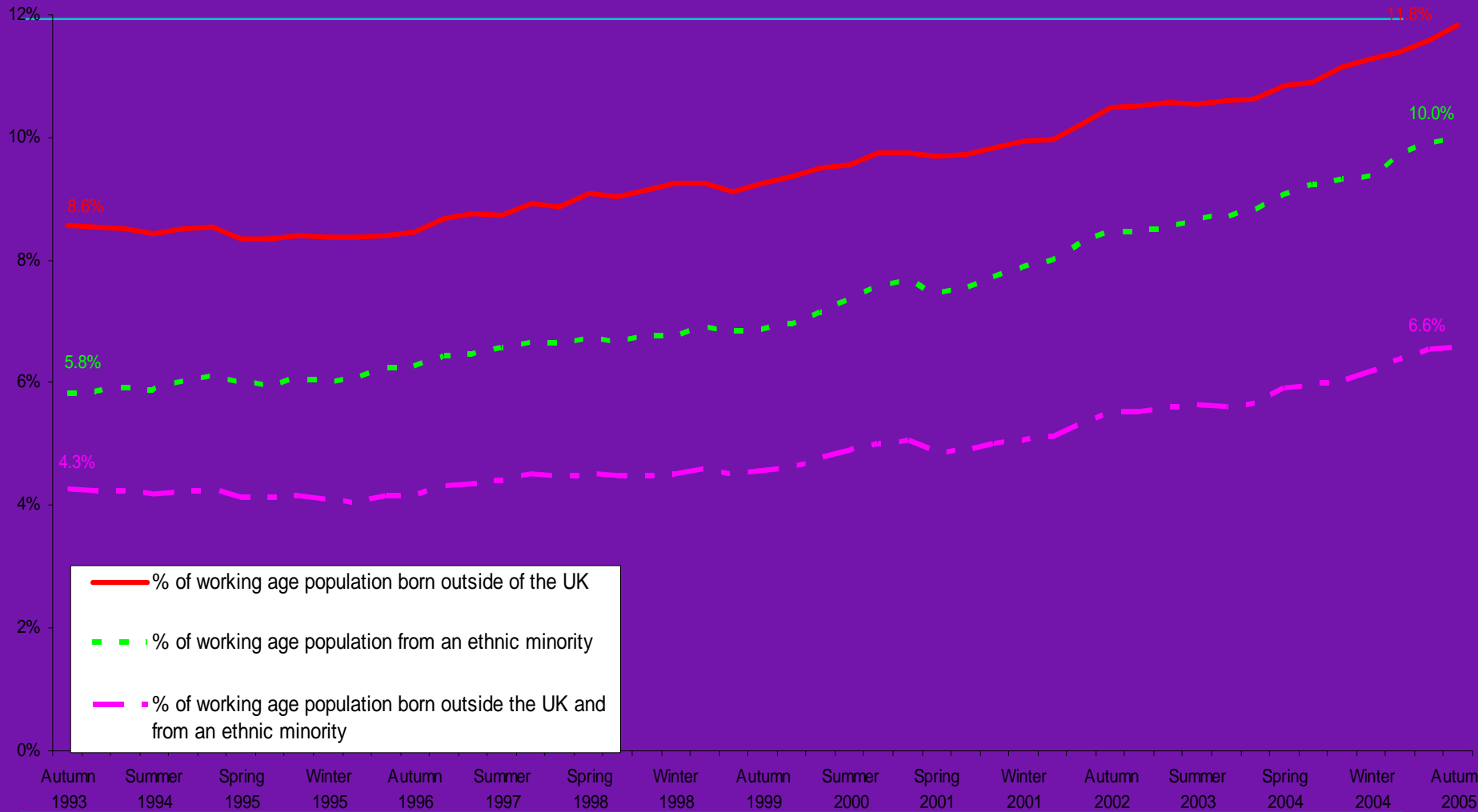
- Rapid rise in migration to the UK
- Broadly positive government stance towards economic migration; clear consensus among economists about benefits
- But considerable political difficulties, especially around asylum and irregular migration
- A8 Accession – what can we say about labour market impact.

UK lets in more
Poles than there
are in Warsaw

Substantial increases in UK migration flows



...leading in turn to sizeable shift in the make-up of the UK population



The government view..

“Migration affects a wide range of Government objectives and has a positive impact on growth and productivity, the public finances and on meeting labour and skills shortages in the public and private sectors”

Pre Budget Report, 2002

Migration and the labour market

- Migrants to the UK concentrated at upper and lower ends of skill and income distribution - if anything recent developments exacerbate this.
- Migrants more likely to be of working age; but
- Working age migrants less likely to be employed
- Clearly overall significant fiscal and economic benefits; but little known about micro-level impacts.

Effect of migration on native workers

“ A large literature exists for the US...the almost universal conclusion of these studies is that there is no large discernible impact of immigration on native wages and employment....”

The main empirical result is that there is no strong evidence of large adverse effects of immigration on native employment or wages [in the UK]..”
[Dustmann, Wadsworth et al, 2001]

“ The overwhelming majority of empirical studies agree that there is essentially no statistically significant effect of immigration on labour market outcomes “
[Gaston and Nelson, 2000]

Despite the US debate, these conclusions are probably now stronger rather than weaker...

But common sense says there must be an effect – they compete with natives for jobs

!?!

- “ There is some presumption that output-mix adjustment fully absorbs the immigration shock... our presumption should be that immigration has no long run effect on labour market outcomes “
[Gaston and Nelson]
- A difficult communications job to get this across to the public [indeed even to some labour market economists...]

A8 accession - policy background

- Eight Central and Eastern European countries (A8) joined the European Union on 1st May 2004 along with Malta and Cyprus.
- The UK government granted Free Movement of Workers to nationals of these countries while the rest of the EU-15 imposed transitional arrangements.

The Worker Registration Scheme

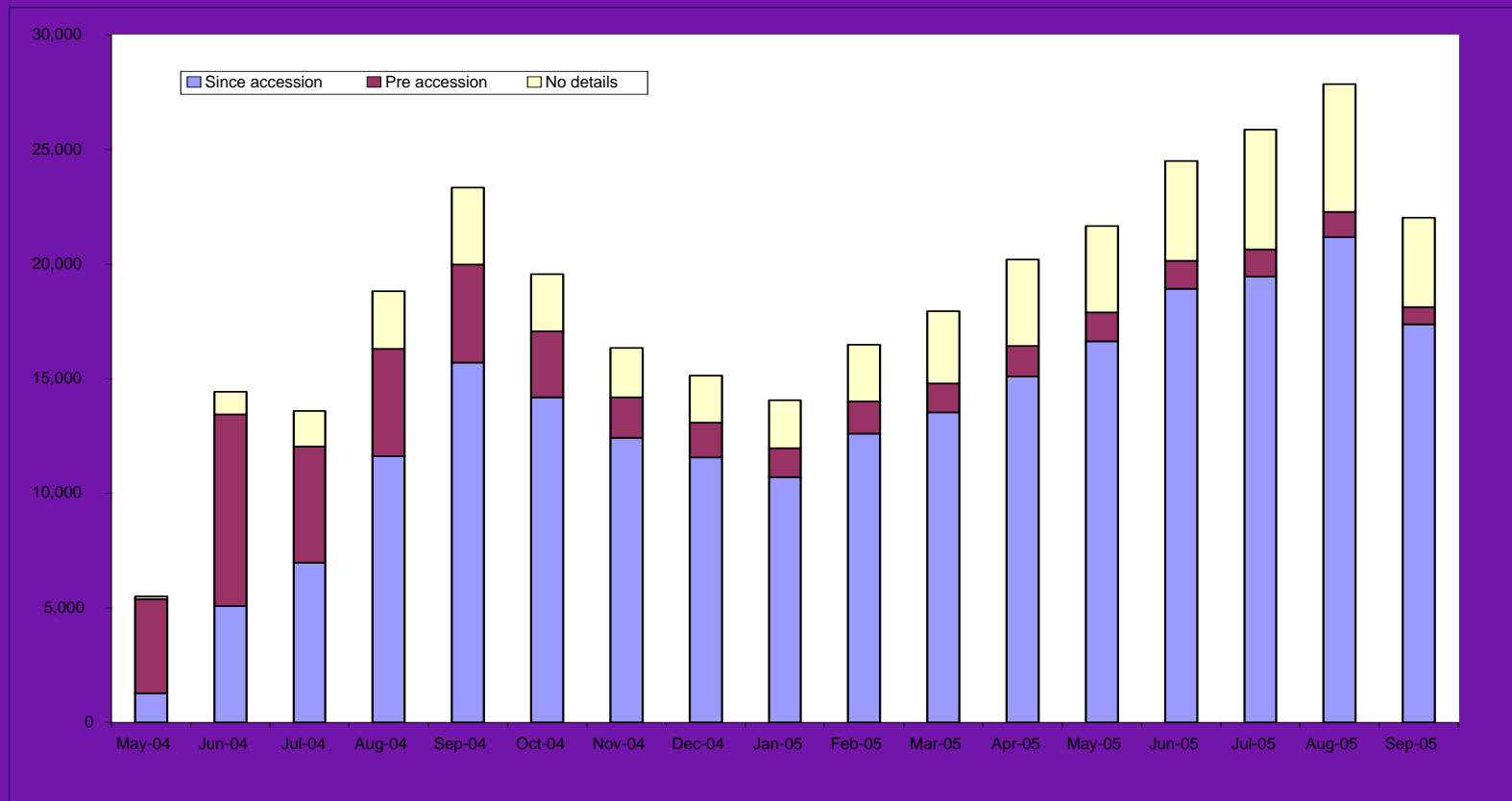
- Nationals of the accession countries (excluding Malta and Cyprus) are required to register on the Worker Registration Scheme if they are employed in the UK for one month or more.
- This requirement provides the UK Government with an important new source of data about migrant workers from the accession countries.

Assessment

- At the time of accession the UK government committed to continually monitor the impact on the UK labour market.
- The Home Office publish quarterly Accession Monitoring Reports based on administrative data from the WRS.
- DWP published an early assessment of the impact on the UK labour market in May 2005 and a fuller assessment in February 2006, focusing on the impact on registered unemployment.

How many people have registered on the WRS?

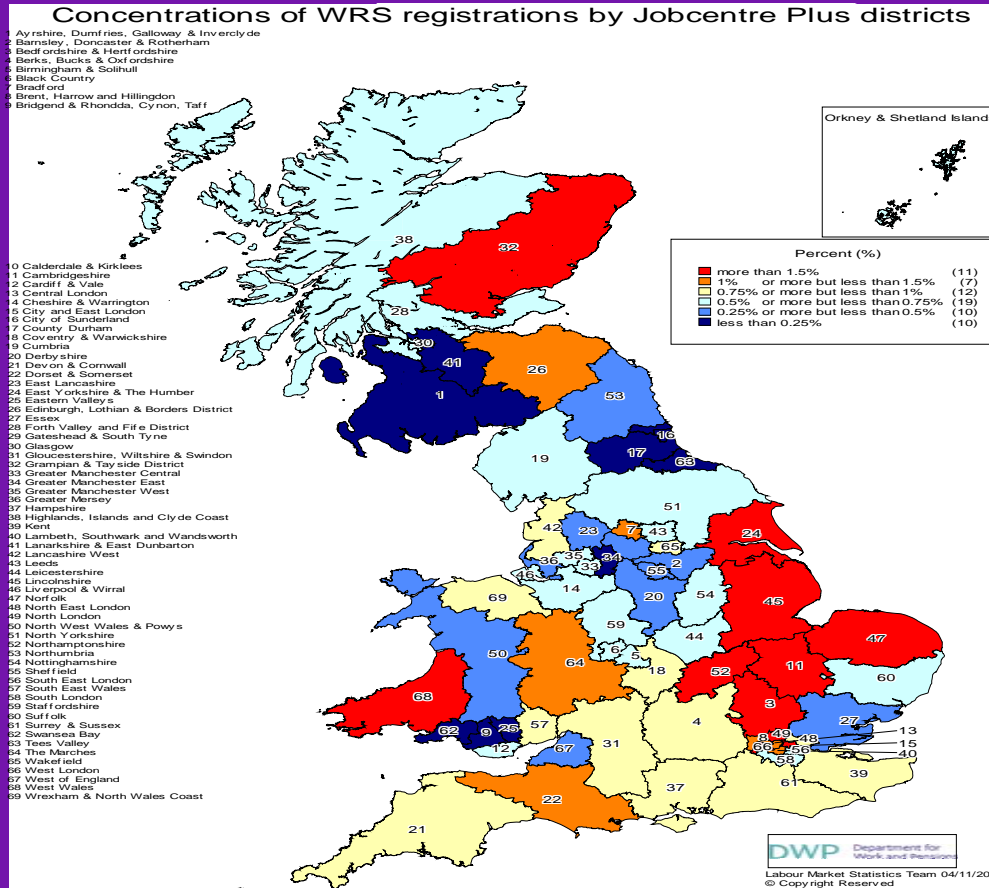
WRS applications processed by month



Characteristics of A8 migrants

- The vast majority of applicants to the WRS are Polish (58 per cent), followed by Lithuanian (14 per cent) and Slovak (11 per cent).
- Most applicants to the WRS are young and single – around 44 per cent are aged between 18-24 and 39% are aged between 25 and 34.
- A8 migrants are coming to the UK to work, not claim benefits – 99% of applications for National Insurance numbers made by A8 nationals between May 2004 and September 2005 have been for work.

Which parts of the country have A8 migrants gone to?

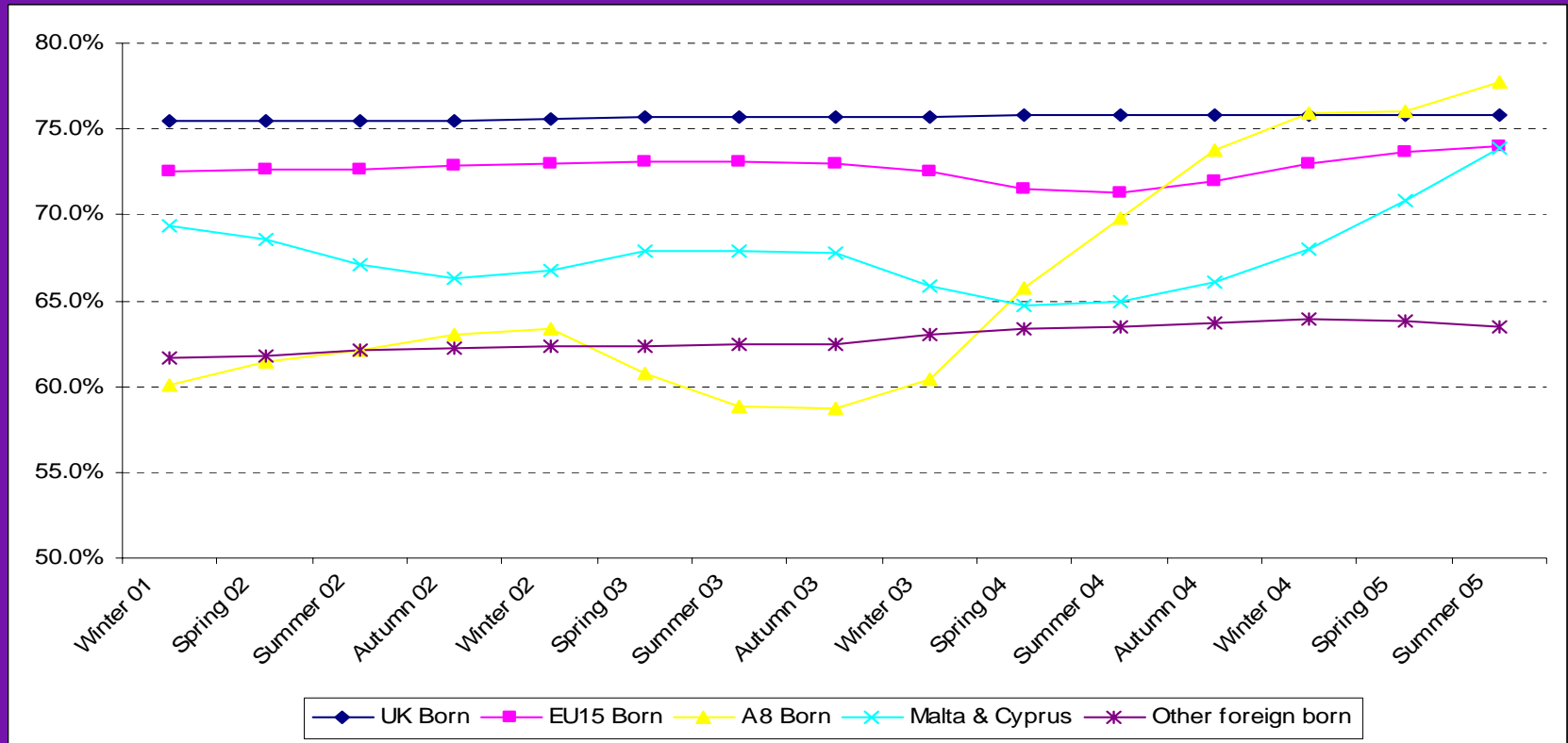


What sectors are A8 migrants working in?



What has happened to employment rates?

Migrant and UK born employment rates (four quarter rolling averages)



How might A8 migrants impact on the UK labour market?

- The volume of workers on the WRS is sufficiently high that we expect to see some impact on the UK labour market, particularly in areas and sectors with high concentrations of WRS workers.

This impact may manifest itself in a number of ways:

- increased unemployment for some groups (substitute)
- lower probability of some groups finding jobs
- falls in employment for some groups
- falls in wages
- increased output and employment (complement)

Model design

$$\Delta u_{it} = \alpha + \beta m_{it} + \delta w_{it} + \lambda X_{it} + \sum_{l=1}^L \rho_l \Delta u_{it-l} + f_i + f_t + \varepsilon_{it}$$

u_{it} = our measure of unemployment

m_{it} = our measure of migration

w_{it} = average wages

X_{it} = labour supply shifters

(% women, % minorities, % migrants outside A8)

f_i = f_t are individual and time fixed effects

ε_{it} = the error term in local authority district i and month t , $i = 1, \dots, 409$, and $t = 1, \dots, 17$.

A8 Migrants and unemployment

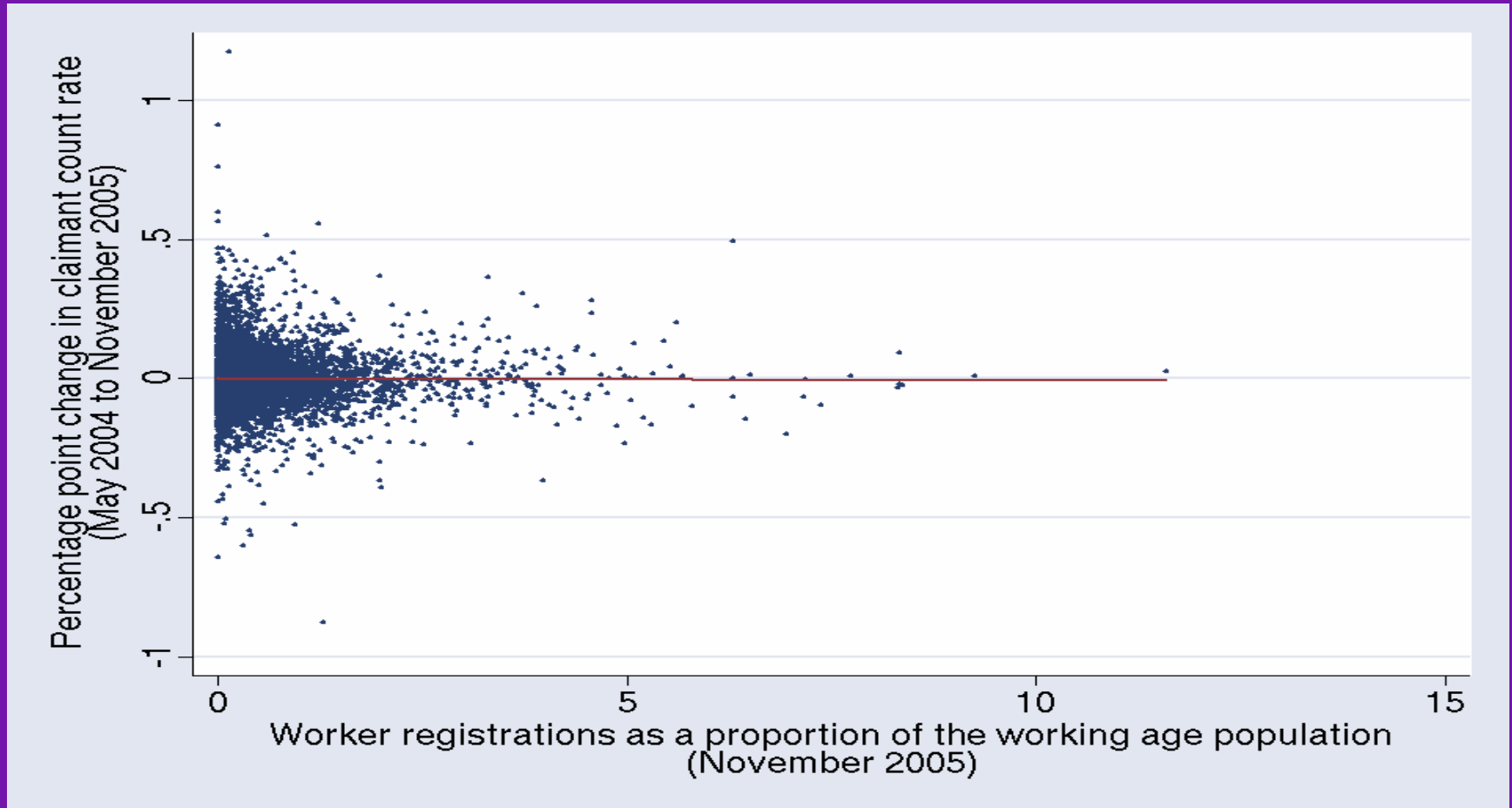


Table 5 - UNEMPLOYMENT EFFECT OF AN INCREASE IN THE % OF A8 MIGRANTS IN THE WORKING AGE POPULATION

Models	short run coefficient	standard errors	long run coefficient	standard errors
(1) Raw coefficient	-0.01	0.02		
(2) Controlling for individual and time fixed effects	0.01	0.03		
(3) Allowing for dynamic adjustment (one time period)	0.00	0.03	0.00	0.03
(4) Allowing for dynamic adjustment (three time periods)	0.00	0.03	0.00	0.03
(5) Correcting for serial correlation and heteroskedasticity	0.01	0.03	0.01	0.03
(6) Controlling for average wages	0.01	0.03	0.01	0.03
(7) Controlling for the proportion of workers in agriculture	0.01	0.03	0.01	0.03
(8) Controlling for supply side shocks	0.01	0.03	0.01	0.03

(a) These are GLS estimates where the weights are the square root of the inverse of the population sample size.

(b) The dependent variable is unemployment rate and the independent variable of interest is the proportion of migrants from the A8 countries to the working age population.

(c) Time fixed effects are modelled with month dummies, individual fixed effects are modelled with local authority district dummies, and labour supply shifters are included as controls.

(d) The interpretation of the coefficient is that an increase of one percentage point in the proportion of A8 countries migrants in the working population increases the unemployment rate of UK natives by b percentage points.

Conclusions

- There is no significant statistical evidence to suggest that A8 migration has been a contributor to the rise in claimant unemployment in the UK during 2005
- Robust to alternative estimation methods
- Robust to alternative specifications
- Robust to alternative sub-samples
(London, Agriculture and Fishing and Polish)