



# The **UK** in a **Changing Europe**

**The MAC report and immigration after Brexit**

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# Immigration - what \*did\* we know?

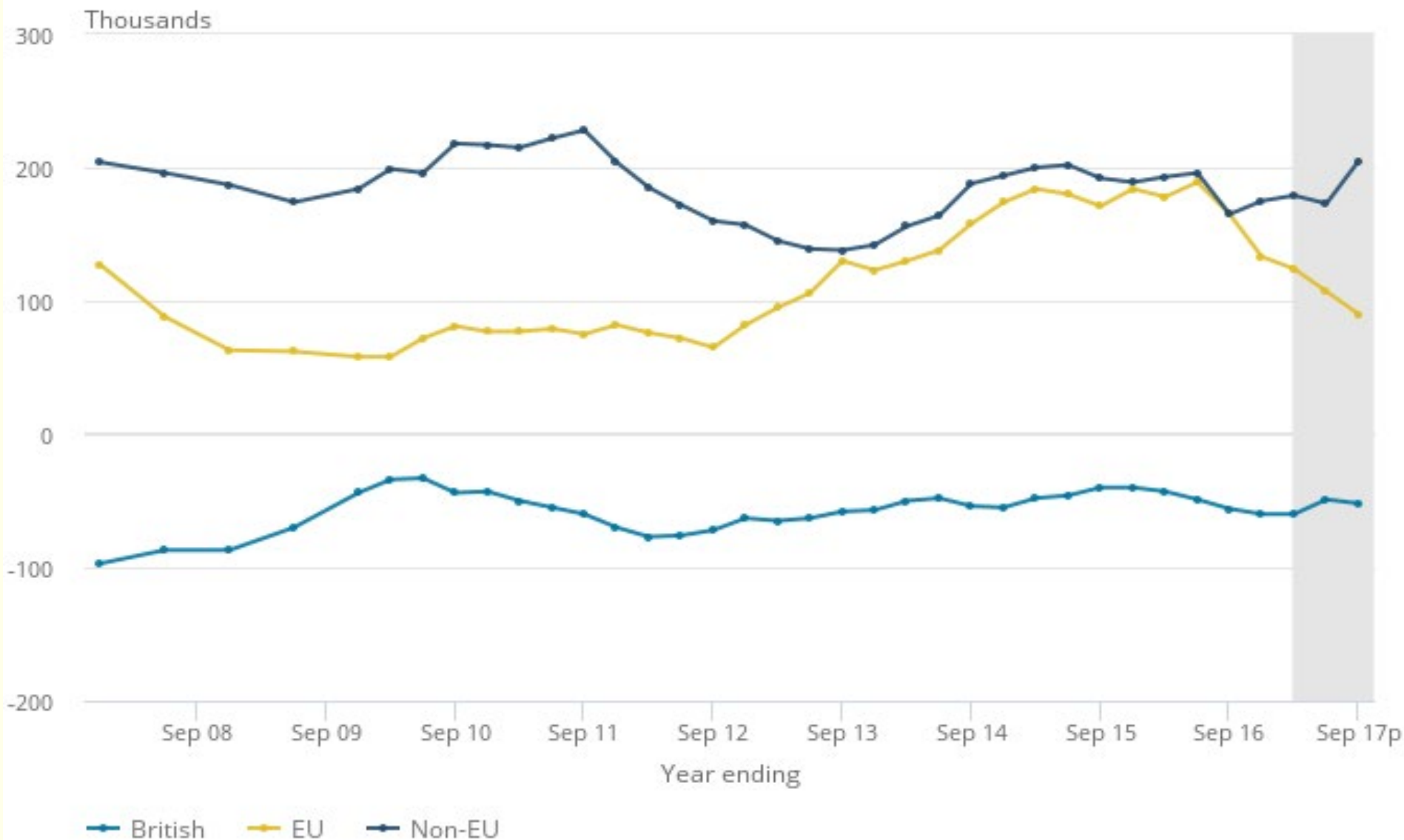
- Little evidence of employment impacts (the lump of labour fallacy is a fallacy!) [Dustmann, Portes & Lemos, etc]
- Little evidence of significant wage impacts overall but some relatively small negative impacts on low paid [Dustmann, Nickell & Salaheen]
- Static analyses suggest EU migrants have positive public finance impacts, non-EU migrants negative (in aggregate)
- Little evidence of impacts on public services

# Change in UK-Born Unemployment Rate 2008-2015



● local area values      — Fitted value

# Net migration to UK by citizenship



# MAC Report: The Impact of EEA migration

New evidence on:

- Productivity (Campo, Forte and Portes; Cortes; Smith)
- Training (CPF, Wadsworth)
- Public Finances (Oxford Economics)
- Subjective well-being “

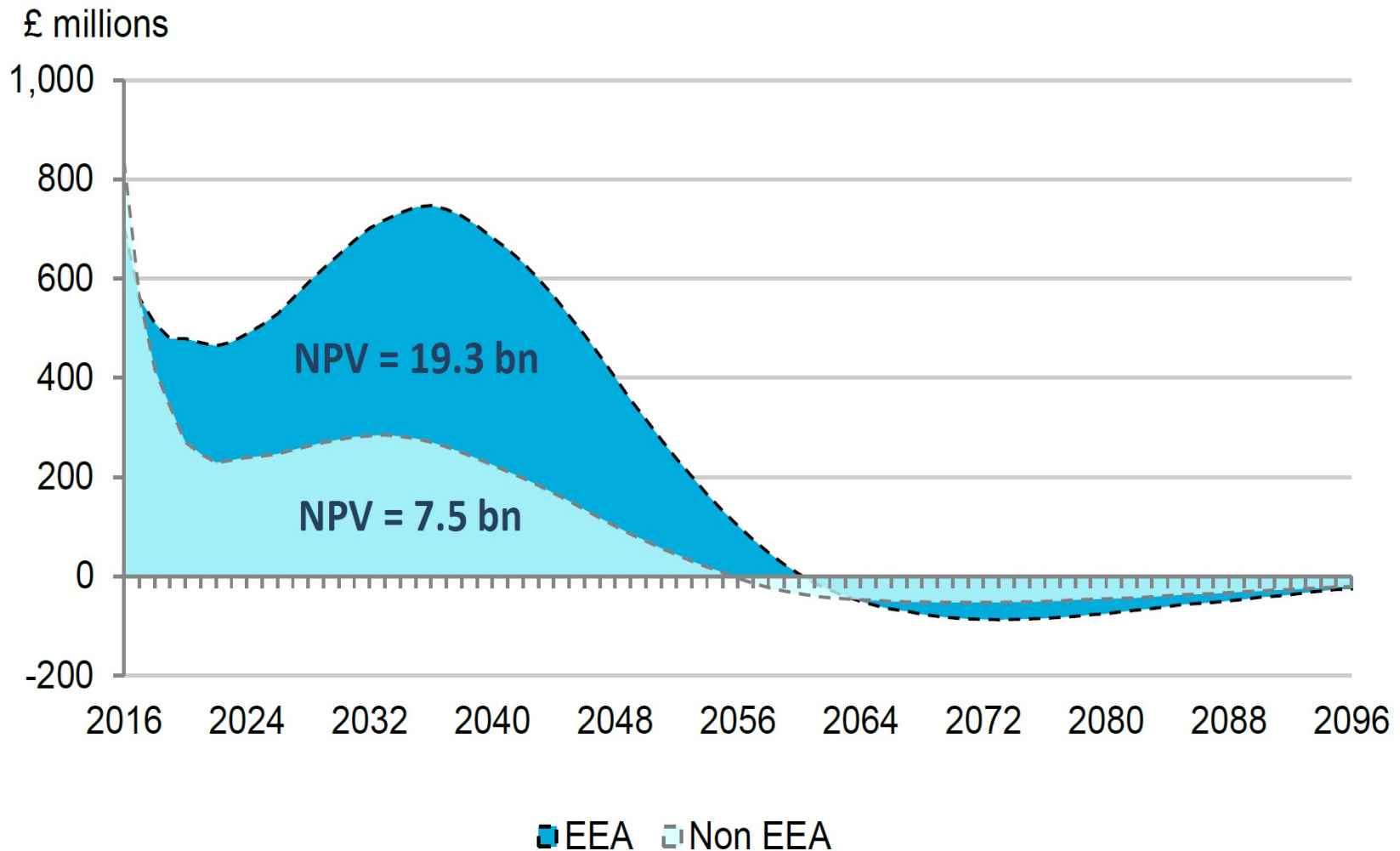
# Productivity

Campo, Forte and Portes:

- Theoretical relationship ambiguous
- Look at LA and TTWA level data
- Examine relationship between GVA per head and immigrant concentration at LA/TTWA level; IV to address causality
- Coefficient large, positive, significant – approx. 3
- Smith, Costas-Ferndandez also find large, +ve impacts
- No clear evidence of differential impacts

# Fiscal impacts

Fig. 21. Lifetime discounted contribution of the UK's 2016 migrant cohort



Source: Oxford Economics

# Subjective well-being (Giulletti and Yan)

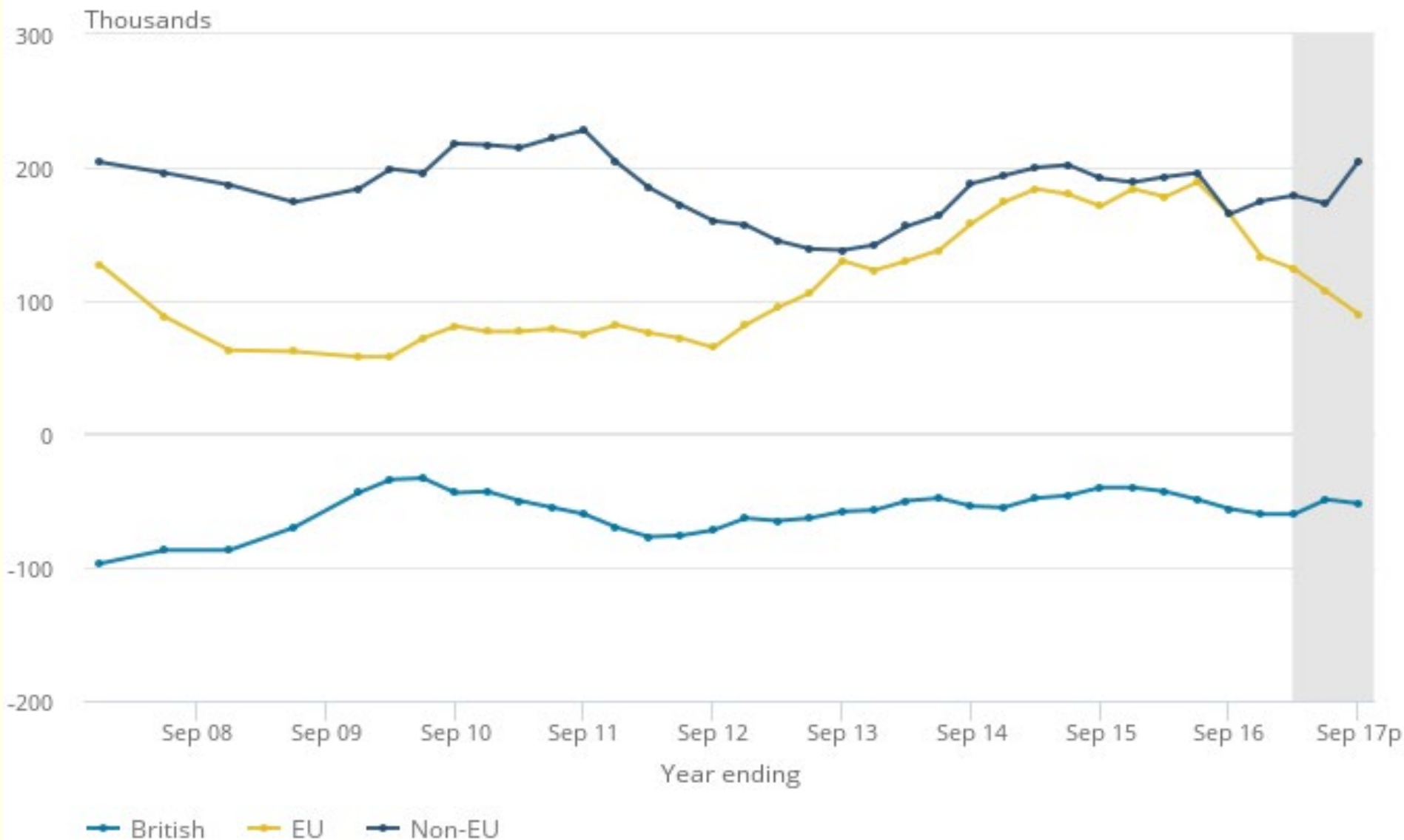
Table 3: Baseline Results

	<u>LAD level</u>			<u>LSOA level</u>		
	OLS	FE	FE-IV	OLS	FE	FE-IV
	(1)	(2)	(3)	(4)	(5)	(6)
Immigrant share	0.7841*** (0.2518)	0.5904** (0.2922)	1.4363*** (0.3979)	0.2057 (0.2213)	-0.0536 (0.2574)	0.9996 (0.6809)
$R^2$	.158	.026	.026	.289	.023	.023
N	163,983	161,628	161,628	162,670	160,121	160,121
KP Wald F			2,917.96			1,584.02

Source.—BHPS waves 1997-2000, 2002-2008 and UKHLS waves 2010-2015.



# Net migration to UK by citizenship



# Immigration: what next (1)? Transition process..

- Withdrawal Agreement will cover EEA nationals resident in UK and UK nationals elsewhere in EEA
- Free movement will continue in transition period
- EU Withdrawal Bill will transpose EU law into domestic law
- Process of granting “settled status”/“temporary” leave to remain
  - 3 million plus EU citizens eligible
  - New “light-touch” digital system
  - Windrush scandal: political and administrative implications
  - Complicated interaction between domestic law/administration, Withdrawal Agreement and ECJ continuing role

# Immigration: what next (2)? Future relationship

- EU guidelines: “ambitious provisions” on natural persons
- Chequers proposals: “labour mobility framework”
- Does either side want more?

# Post-Brexit system: MAC recommendations

- End free movement: extend current “Tier 2” system for non-EEA nationals to EU citizens: work permits with skills, salary (£30K), qualification thresholds
- Remove cap.
- Sectoral/seasonal scheme for agricultural work, but no or limited other schemes
- “Youth mobility” scheme? Family, students?
- ESTA-type scheme for tourists, business visitors?

# MAC recommendations: issues

- High, medium and low-skilled immigration
- Salary thresholds and sectoral issues
- Impact on skilled EU migration of removing free movement
- Caps, quotas and targets..



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