

A major argument of Brexit campaigners is that leaving the European Union would give the UK more control over the flow of immigrants, who they claim hurt the jobs and pay of native-born workers. CEP research shows that EU immigration is at worst neutral and at best, an economic benefit of membership.

Why immigration is no reason to leave the EU



EU immigration has not harmed the job and wage prospects of UK workers

example, almost twice as many have received some form of higher education. They are also more likely to be in work, especially those entering from Eastern Europe (see Figure 1).

Having young, well-educated and hard-working people coming to your country might not seem such a bad thing. But since immigration increases competition for jobs, doesn't it mean that the employment prospects for UK workers have got worse? After all, there are always stories of someone who has gone after a job but has missed out to an immigrant.

But higher immigration does *not* mean

that UK unemployment *must* always rise as a result because there isn't a fixed 'lump of labour' out there. Immigrants have to eat, drink and live somewhere. They spend money on local goods and services. All this pumps up demand and

Many Britons are concerned that high levels of immigration have hurt their jobs, wages and quality of life. This anxiety is understandable as workers have had a rough ride in recent times. Allowing for inflation, average wages fell by 8-10% in the six years after the global financial crisis of 2008. Such a sustained fall in pay is unprecedented in the UK's post-war history.

Alongside falling wages, immigration from the EU has been soaring. Between 1995 and 2015, the share of EU nationals in the working age population more than tripled from 1.8% to 6.3%, and most of this happened after 2004 when eight East European countries joined the EU. Net EU immigration flows were about 172,000 in 2015, not far off the non-EU rate of 191,000.

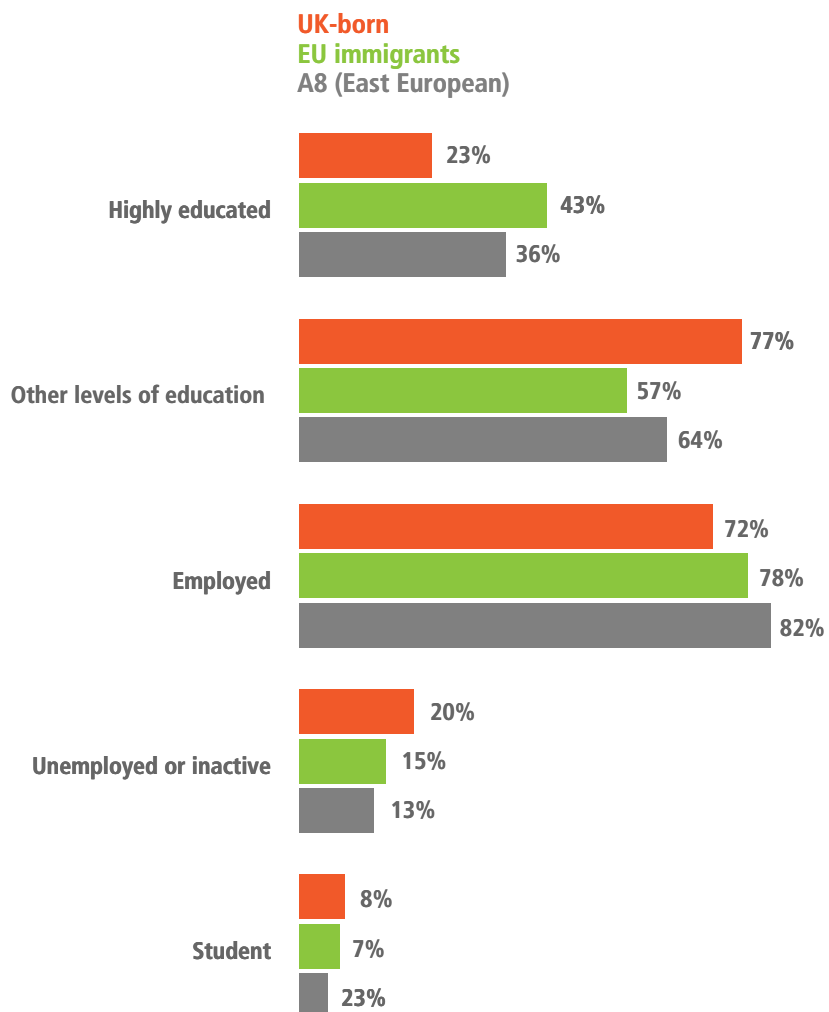
So it does make sense that many people believe this immigration wave has hurt UK workers and think that leaving the EU would make things better.

To investigate this, we crunched the most recent data and scoured the evidence. The bottom line is that EU immigration has not significantly harmed the pay, jobs or public services enjoyed by Britons. In fact, for the most part it has made us better off. Far from EU immigration being a 'necessary evil' that we must bear in order to gain access to the greater trade and foreign investment generated by the EU single market, immigration is at worst neutral and at best another economic benefit of membership.

EU immigrants and their impact on the UK labour market

Immigrants from the EU are younger and more educated than the UK-born – for

Figure 1: EU immigrants are more educated and more likely to be in work than the UK-born



Notes: Labour Force Survey data from 2015. 'Highly educated' are people who were in education until the age of 21 or older. The 'A8' central and east European countries are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia, which all joined the EU in 2004. Percentages are of the working age population, which is everyone over the age of 16 and under the age of 65.

Post-Brexit falls in EU immigration would be likely to lead to lower UK incomes

thereby creates new jobs. The employment effects of adding an immigrant are no different from increasing population, and the UK population has risen by around a half over the last hundred years without the unemployment rate marching correspondingly upwards.

Yet even if there is no reason to think that immigration should increase unemployment, isn't it obvious that a bigger supply of workers must increase competition for jobs and drive wages down? Again – it isn't necessarily so.

Greater movement of labour allows countries to specialise in what they are best at, just like being more open to trade. Companies change the mix of services and products to adapt to the new skills. Immigrants – especially if they are more skilled – will tend to raise productivity. Demand for services means more demand for people to supply them. All these effects will tend to raise real wages.

So ultimately we cannot know the truth about immigration and its effects from just appealing to anecdotes or theories. We need to look at the evidence.

Luckily, there is a huge amount of research examining the effect of immigration on jobs and wages. The conclusion of this body of work is that the large increase in immigration did *not* significantly harm the job and wage prospects of UK workers.

But most of this research was done on data in the good times before the global financial crisis and the Eurozone crisis. Have things changed since 2008 when the job market got tougher?

If we look at employment rates of the UK-born over the last four decades since the last EU referendum, there is little

relationship with EU immigration. Although EU immigration rose during 2008-10 when employment rates fell, immigration also rose in the last five years when employment rates recovered. Similarly, although wage rates were falling in the period 2008-14 when immigration was rising, wages were still going up in the period 2004-08 as well as in the last year. The problem of falling wages was due not to immigration but to other factors, including the financial crisis and austerity.

What about at the local level? Did places with larger influxes of EU immigrants have worse job outcomes than those with smaller increases? Our latest research finds that in fact there is no relationship between changes in EU immigration at the local authority level since 2008 and changes in the unemployment rates or wages of those born in the UK.

But what about impacts on certain types of workers? After all, there is concern that less skilled workers are hurt if educated immigrants are willing to accept low paying jobs.

To see if prospects for less skilled UK nationals are associated with EU immigration, we looked at the changes in pay and job rates of the low educated. Our results are unchanged: EU immigration has not harmed less skilled UK workers.

Public finances and public services

Since EU immigrants are younger, more likely to work and better educated, they also pay more in taxes than they receive in welfare payments. For example, East European immigrants paid in about £15

billion more than they took out in public spending and benefits in the decade up to 2011 (while UK nationals received more than they put in over the same period).

So EU immigrants are helping to reduce the budget deficit, which helps pay for more public services for the UK-born population. They bring in extra assets that could be used to increase spending on the NHS and education for the UK-born.

Although the fact that the government has been cutting back on public services cannot be blamed on immigrants, it could still be that local areas that saw bigger immigrant inflows experienced worse services. But the evidence suggests that there is no significant effect on education and the NHS or social housing. If immigrants led to social conflict then we would expect to see this reflected in measures of crime rates. But again, there is no discernible effect.

Immigration and productivity

Even though there is no evidence of local effects of immigration, there is also a disadvantage of focusing on local outcomes in that this may miss out on the economy-wide effects of immigration. By enabling specialisation and raising productivity, immigration can raise national wages.

Migration acts much like international trade, as people tend to move to countries where they can be more productive and earn higher incomes. Immigrants tend to be the most entrepreneurial and talented people.

Many studies find positive effects of immigration on productivity, especially when immigrants are more educated. Recent work by the OECD finds that

EU immigrants are younger and more educated than the UK-born – and more likely to be in work

halving UK net immigration rates would reduce UK productivity growth by 0.32% per year. Since average UK productivity growth has been almost flat since the financial crisis, this is not something to be lightly discarded.

Brexit supporters argue that economic benefits would flow from bringing EU immigration under the same rules as non-EU immigrants. The OECD study also looks at how improving the average skill level of immigrants could increase productivity. To offset the productivity loss from halving EU net immigration, the UK would have to improve the relative education level of EU immigrants enormously. Since EU immigrants are already significantly better educated than the UK-born (see Figure 1), this would be an extremely difficult task to pull off, especially with an aspiration to cut total net immigration to the tens of thousands.

Refugees

The refugee crisis is not related to the UK's membership of the EU. Refugees given the right to remain in other EU countries like

Germany have no right to live or work in the UK. It usually takes between five and eight years before refugees are even allowed to apply for citizenship. The UK is not in the Schengen passport-free travel agreement, so there are border checks preventing entry of refugees.

The bottom line

We can confidently say that our empirical evidence shows that EU immigration has not had any major negative effects on average employment, wages or inequality for Britons.

At the national level, falls in EU immigration would be likely to lead to lower UK incomes. This is partly because immigrants are more likely to be in work (helping reduce the budget deficit) and partly because they have a positive influence on productivity.

There is a wide consensus that trade and foreign investment will fall after Brexit, which will hurt UK living standards. Cutting EU immigration will not offset these costs. Indeed, it is likely to make UK incomes even lower.

This article summarises 'Brexit and the Impact of Immigration on the UK', CEP Brexit Analysis No. 5 by Swati Dhingra, Gianmarco Ottaviano, John Van Reenen and Jonathan Wadsworth (<http://cep.lse.ac.uk/pubs/download/brexit05.pdf>).

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