

What do we know about migration?

Informing the debate

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#### **Introduction and Highlights**

The purpose of this briefing note is to inform the UK's national discussion about immigration.

Immigration is a matter of deep concern to millions of people, it receives extensive coverage and commentary in our national media and it is the subject of strong and intensive national political and polemical debate, both in the run-up to the forthcoming European Parliament elections and more generally.

Given the emotional power of the subject – going as it does to the heart of the lives of many people – the facts about immigration should play a high and significant role in the discussions which take place.

In recent years a great deal of top-quality research has taken place upon the nature of immigration to the UK and its impact upon our economy and society. Some of this has been carried out as part of the work of the Centre for Research and Analysis of Migration (CReAM)<sup>1</sup> at University College London. We are publishing this briefing note in the hope that the real facts about immigration can play a larger part in the public debates. Some of this research is difficult because the social and economic consequences of immigration are hard to measure. We set out in the chapters below some of the methodological challenges which the research faces.

We should make it clear that we do not have particular policy proposals, beyond a desire that this very important subject should be discussed in a way that is informed and not alarmist, low-key and not polemical.

We have identified ten impacts of migration which have been well analysed and we have a short chapter on each which provides more detail, briefly discusses some of the academic research challenges, and gives a list of references to appropriate academic study in the field.

The main highlights from this research are that:

- Immigration improves **innovation**, trade and entrepreneurship. In most OECD countries, immigrants are more likely than natives to start new businesses. In the UK, immigrants are more likely to be self-employed.
- Recent immigrants tend to claim less in **benefits** than native-born British people, though there are variations relating to the type of benefit and the immigrant group.
- Recent immigrant households and groups contribute more in **taxes** than is spent on them. There are significant variations, though recent immigrants, particularly from the European Union, make a consistently positive contribution.

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<sup>&</sup>lt;sup>1</sup> http://www.cream-migration.org

- Not all immigrants are entitled to claim all benefits. There is no or limited evidence that immigration is driven by welfare generosity. The labour market is a greater factor.
- Most research into the impact of immigration upon wage rates or levels of employment suggests that there is little impact; if there is an impact to reduce wages, it is small and probably short-term.
- About 25-30% of immigrants from outside Europe settle in the UK as a **family** member, though this proportion is falling. Over 80% of these are spouses, half of whom are sponsored by British citizens.
- One in five **health professionals** are immigrants.
- Immigrants use health and **GP services** about as much as the native-born population. On arrival they are typically healthier than the native-born population.
- About 10% of 15-years old **secondary students** enrolled in UK schools have both parents born abroad and of those, a little less than a half were themselves born abroad. This figure is slightly above the OECD average.
- About 18% of pupils enrolled in **primary schools** and 14% in secondary schools, do not speak English as first language when at home.
- There were about 435,000 **international students in UK universities** bringing over £10 billion to the UK economy in 2011. In 2012/13 the number of overseas students dropped for the first time in 29 years.
- There is no evidence that economically motivated immigration has any impact on rates of **crime**.
- Migration is a very important means through which individuals can lift themselves out of poverty. About 215 million people 3 percent of the world population live outside their country of birth. Official remittances from international migrants towards developing countries amount to over \$400 billion, though the full amount is significantly larger. This is nearly three times the amount of official aid.
- The percentage of British residents born overseas is 13%. This compares to France and Germany (12%) and the US and Spain (14%) Ireland (16%), Canada (21%) Australia (28%) and Switzerland (29%).
- **UK citizens living abroad** represent 7.5% of the UK population.

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### 1. Innovation, trade and entrepreneurship

Immigrants bring with them new skills and knowledge, which allows native workers to specialise in what they do the best, and may at the same time create new economic opportunities and promote innovation.<sup>2</sup> For instance, in most OECD countries, immigrants are more likely than natives to start new businesses.<sup>3</sup> In the UK, 14.2% of foreign-born were self-employed just before the recession, compared to 12.1% of UK-born.<sup>4</sup> Around 25% of foreign-born entrepreneurs employ other workers (both native and immigrant), accounting for around half a million jobs in the UK economy.<sup>5</sup> Immigrants do not limit themselves to traditional ethnic businesses, but go into a wide range of sectors.<sup>6</sup> Furthermore, it has been argued that international migration enhances exports of domestic firms through a reduction in trade costs as firms employing immigrants can draw on their knowledge of foreign markets, contacts and lower communication costs, irrespective of whether the firms themselves are owned by immigrants.<sup>7</sup> A potential concern might be that immigrants take business and innovation opportunities from native-born workers. This would be true if the number of such opportunities in an economy were fixed, so that the presence of immigrants would directly reduce economic options of native workers.<sup>8</sup>

The challenge is to separate the effects of immigration on native workers from developments other than migration which affect these outcomes as well. There may be factors that impact both immigration flows and native innovation and entrepreneurial activity. Failure to properly account for these factors might lead to false conclusions about the effect of immigration. Empirical research on these issues draws conclusions both based on individual level data and from variation in immigration and economic outcomes across regions within a country. In analysing the effect of migration on international trade, researchers have compared migration and trade flows across country pairs.

The evidence suggests a significant positive effect of migration on innovation and international trade. The number of patents increases more than proportionally after arrival of high-skilled immigrants, of whom countries like the UK or the U.S. receive a large part, suggesting that immigration increases innovation activity by natives too. Similar results have been obtained for Germany. Further, at least for the US, it has been shown that since high-skilled migrants tend to be very mobile, they help to spread new technologies across regions. There is also evidence that new technologies are adopted faster by businesses in areas with higher numbers of high-skilled immigrants, increasing overall productivity and

<sup>&</sup>lt;sup>2</sup> D'Amuri and Peri (forthcoming), Lewis (2011), Moretti (2004), Peri and Sparber (2009)

<sup>&</sup>lt;sup>3</sup> OECD. 2011.

<sup>&</sup>lt;sup>4</sup> Ibid.

<sup>&</sup>lt;sup>5</sup> Ibid.

<sup>&</sup>lt;sup>6</sup> Ibid.

<sup>&</sup>lt;sup>7</sup> See Gould (1994) and the papers on the effect of immigration on trade cited below.

<sup>&</sup>lt;sup>8</sup> Ottaviano, Peri and Wright (2013).

<sup>&</sup>lt;sup>9</sup> Hunt (2011), Hunt and Gauthier-Loiselle (2010), Kerr and Lincoln (2010).

<sup>&</sup>lt;sup>10</sup> Niebuhr (2009).

<sup>&</sup>lt;sup>11</sup> Kerr (2010).

contributing to economic growth.<sup>12</sup> The existing evidence on trade for a large array of countries<sup>13</sup> overwhelmingly points in one direction: towards a significant positive effect of migration on international trade, and to a stronger effect on exports of immigration countries than on imports.<sup>14</sup> Effects are found to be particularly strong for recent<sup>15</sup> and for temporary migrants,<sup>16</sup> who arguably still have stronger links to their countries of origin. There is little research on whether immigrants reduce business creation by natives.

<sup>&</sup>lt;sup>12</sup> Hornung (2014), Peri (2012), Putterman and Weil (2010); see Dustmann and Glitz (forthcoming) on the effect of immigration on

<sup>&</sup>lt;sup>13</sup> See White and Tadesse (2007) for Australia; Head and Ries (1998) and Wagner, Head and Ries (2002) for Canada; Briant, Combes and Lafourcade (2013) for France; Peri and Requena-Silvente (2010) for Spain; Girma and Yu (2002) for the UK; and Rauch and Trindade (2002) for the effect of ethnic Chinese residents in a large set of countries.

<sup>&</sup>lt;sup>14</sup> Bandyopadhyay, Coughlin and Wall (2008), Gould (1994), White (2007).

<sup>&</sup>lt;sup>15</sup> Herander and Saavedra (2005).

<sup>&</sup>lt;sup>16</sup> Jansen and Piermartini (2009).

### 2. Fiscal and welfare impact of migration

Immigrants both pay taxes and draw on public resources. Their tax contribution may outweigh or fall short of the public resource burden they impose. Immigration on the one hand expands population, bringing in new sources of revenue, but on the other hand it also involves new and possibly different calls on public services. One specific concern is also that the generosity of welfare provision in destination countries encourages immigration of welfare-dependent migrants.

Immigrants to the UK tend to have lower levels of benefits receipt than natives, and similar use of social housing<sup>17</sup>. However, the picture is quite varied, and welfare claims vary considerably by immigrant group as well as by the type of benefit claimed in the UK<sup>18</sup>.

The overall fiscal effects of immigration in the UK have been found to be procyclical, to some extent more than for UK-born. Earlier estimates of the net fiscal effects of immigration range between a positive contribution of 0.3% of the GDP in 1999-2000<sup>19</sup> to a slightly negative contribution of -0.04% of the GDP<sup>20</sup>. More recent OECD estimates indicate that between 2007and 2009 immigrant households in the UK have made higher fiscal contributions than natives, and overall immigrants' fiscal contributions range between 0.46% and 0.26% of the GDP<sup>21</sup>. There are sharp differences between arrival cohorts and areas of origin, with recent immigrants, and especially those from EU countries, making consistently positive fiscal contributions in the UK over the last decade<sup>22</sup>.

Not all immigrants in the UK are entitled to claim benefits. To claim most means-tested benefits, such as income support, housing and council tax benefits, immigrants have to pass the habitual residence test (HRT). In particular, immigrants must have a right to reside in the UK in order to claim benefits. Immigrants who have the right to reside can also claim child benefits and child tax credits. The right to reside depends on nationality and immigration status. EEA nationals are automatically given right to reside for three months upon entry in the UK, but this does not qualify them for HRT unless they take up work in the UK.

The potential effect of welfare generosity in attracting welfare-dependent immigrants can be evaluated by analysing differences in welfare dependence between immigrants and natives or cross- country correlations of welfare generosity and migrants' welfare dependency. There is no or limited international evidence that migration flows are driven by welfare generosity in receiving countries, on the contrary they are predominantly driven by labour market considerations.<sup>23</sup>

 $<sup>^{17}</sup>$  Dustmann and Frattini (2013).

<sup>&</sup>lt;sup>18</sup> Drinkwater, S. and Robinson, C. (2013).

<sup>&</sup>lt;sup>19</sup> Gott and Johnson (2002).

<sup>&</sup>lt;sup>20</sup> Sriskandarajah, et al. (2005). The estimates for this year range between -0.7% and 0.7% of the GDP if some of the estimation assumptions are modified, see Rowthorn, (2008).

<sup>&</sup>lt;sup>21</sup> OECD (2013).

<sup>&</sup>lt;sup>22</sup> Dustmann et al. (2010), Dustmann and Frattini (2013).

<sup>&</sup>lt;sup>23</sup> Barrett, A. and McCarthy, Y. (2008), De Giorgi and Pellizzari, (2009), Giulietti et al (2012), Pedersen, et al. (2008).

#### 3. The labour market

The entry of immigrants into the labour market may affect wages of British born workers or replace them in the work force, thereby adding to local unemployment. Immigration expands the number of potential workers in the country and either employment or unemployment has to rise. If employment needs to rise then wages may need to change in order to persuade firms to employ the additional labour. The effects on wages may be different for different types of workers; those with whom immigrants compete most strongly may find wages depressed while others may find their productivity enhanced by working with new immigrants and therefore see their wages rise. Depending on the nature of the inflow of new workers and therefore whether wages of the most or least well-paid are most affected, changes in wages may reduce or aggravate inequality.

It is by no means obvious that the effect of immigration needs to work through changes in wages. Economies can adjust to absorb increases in labour through mechanisms other than wage adjustments. For example, growth in the labour force can lead to complementary import of capital or to adjustments in the mix of industries that could mean that no changes in wages are required. There can be changes in prices of goods produced, changes in training or changes in technology. If these means of adjustment are more long term than changes in wages, then it may be that immigration leads to short term changes in wages or employment that do not persist into the longer run.

The best evidence on these questions comes from many studies in many countries that have looked at association between inflows of immigrants and changes in labour market outcomes in different labour markets. The main problems with these studies is in identifying what constitutes a labour market and in being clear about what is causing what. Typically labour markets are identified as different geographical areas although there are also other approaches using skills or occupations<sup>24</sup>. If an association is found between immigration and changes in labour market outcomes, it is difficult to be sure whether inflows of immigrants are causing changes in wages and employment or whether changes in wages and employment are attracting or discouraging immigration into an area. For example, because a particular geographical area is temporarily booming then immigrating labour may be drawn to it by rising wages and increasing output; this would lead to an association between wage or employment changes and immigration but this would not be indicative of immigration causing either of these things.

The preponderance of evidence from these studies fails to identify large wage or employment effects, if they exist at all<sup>25</sup>. Some studies find some evidence pointing

<sup>&</sup>lt;sup>24</sup> For examples of different approaches see Borjas (2003), Borjas, Freeman and Katz (1997), Card (1990,2001)

<sup>&</sup>lt;sup>25</sup> For a survey see Dustmann, Glitz and Frattini (2008). Recent papers on the UK include Dustmann, Fabbri and Preston(2005), Dustmann, Frattini and Preston (2013), Lemos and Portes (2008), Lucchino, Rosazza-Bendibene and Portes (202), Manacorda, Manning and Wadworth (2012), Nickell and Salaheen (2008). MAC (2012) is an example of a study which does claim evidence of an employment effect.

towards some labour market effects but they are the exception. In the UK, research is suggestive that recently arrived immigrants, though typically highly qualified relative to British born workers, tend to work in jobs at lower wages than might be expected based on their qualifications. Evidence also suggests that if there are negative wage effects then they are among workers with similar wages though these effects are small and, given that immigrants tend to move to jobs at higher wages as their stay in the country extends, they are possibly short term. <sup>26</sup> There is similarly little convincing evidence of effects on employment.

<sup>&</sup>lt;sup>26</sup> See Dustmann, Frattini and Preston (2013).

# 4. Migration of families

In the UK, individuals can apply for entry clearance and settlement in order to join a British citizen or a person settled in the UK in order to form or unite a family. This is commonly called the family route of migration. About 25-30% of non-EEA migrants who settle in the UK use this route.<sup>27</sup> While this is a substantial share, this share has shown a falling trend over the past few years. Most of these migrants come as spouses or partners (83%), rather than as children (12%) or other relatives (5%).<sup>28</sup>

Dependants of immigrants can also enter the UK for other reasons, notably as dependants of individuals who have been granted entry clearance via a skilled work visa through the point-based system. About 1 in 3 non-EEA immigrants who settled in the UK gained settlement through the skilled work route, and up to 40% of this group are dependants.<sup>29</sup>

As these figures show, immigration due to family related reasons is an important component of long-term immigration to the UK. If tight immigration policy restricts the possibility for immigration through these routes then it limits the scope for immigrants to enjoy family life and denies British-born citizens the right to form families with individuals born abroad. Therefore, the political scope to restrict immigration due to family related reasons is likely to be quite limited. First, UK policy makers are bound by Article 8 of the European Convention on Human Rights stating that "everyone has the right to respect for his private and family life". Any restrictive policies towards this right of a family life must hence stand up in court as being necessary and proportionate in the pursuit of the greater public good.<sup>30</sup> Second, about 60% of sponsors of non-EEA spouses entering via the family route are in fact British citizens from birth. 31 Tougher rules on family migration therefore restrict the rights to family life not so much of potential immigrants, but in fact of British citizens. This is one of the reasons why the tightening of the family immigration rules in 2012 led to strong public criticism echoed in the media and by the All-Party Parliamentary Group on Migration, after it had emerged that the new rules were keeping mixed British and non-EEA families apart, including children being separated from one of their parents.<sup>32</sup>

<sup>&</sup>lt;sup>27</sup> See Home Office (2011a, 2013, 2014).

<sup>&</sup>lt;sup>28</sup> Furthermore, about 25% of spouses settling in the UK via the family route are from India and Pakistan, which are the top two origin countries, and about two thirds of the spouses are wives (Migration Advisory Committee 2011). The employment rate among them is somewhat lower than the general female employment rate in the UK (Home Office 2011b).

<sup>&</sup>lt;sup>29</sup> Home Office (2011a).

<sup>&</sup>lt;sup>30</sup> See Migration Advisory Committee (2011) for an overview of the legal context.

<sup>&</sup>lt;sup>31</sup> Home Office (2011b).

<sup>&</sup>lt;sup>32</sup> For example, 45 of the 300 submissions received by the All-Party Parliamentary Group on Migration for their 2013 inquiry into the new family migration rules stated that children of mixed British and non-EEA families were separated from one of their parents due to the toughening of the family migration rules – see

http://www.appgmigration.org.uk/sites/default/files/APPG family migration inquiry report-Jun-2013.pdf. See also the media at http://www.theguardian.com/commentisfree/2013/dec/15/uk-immigration-policy-britons-spouses-trauma, http://www.theguardian.com/commentisfree/2013/jul/09/uk-australia-spouse-visa, and http://www.bbc.com/news/uk-22833136.

## 5. The health system

The UK National Health Service (NHS) is mostly free for those *lawfully resident* in the UK. Some people argue that immigrants may be attracted by more generous provision of welfare or health services in the host country, but non-residents are expected to pay for any medical treatment they receive while in the UK. There are exemptions from charges - people working for a UK based employer, students on courses lasting more than six months, victims of human trafficking and asylum seekers awaiting a final decision. Visitors from the European Economic Area and from other countries with which the UK has reciprocal or bilateral health agreements also receive free treatment. Treatment of anyone with an infectious disease (influenza, TB, sexually transmitted diseases) is free to all. Access to emergency treatment (A&E), maternity treatment and HIV related issues are open to all (though charges may be levied at a later date). There are fewer restrictions on access to GPs, who have responsibility for determining whether any individual should become a patient of their practice. There is no formal requirement for GPs to prove identity or immigration status. The UK government is currently considering changing its cost recovery procedures. <sup>33</sup>

An increase in population may not be a burden for the health system. If the population rises, tax revenues could increase simply because more people are in work, allowing continued provision of the same level of health resources for a larger population. Immigrants may help finance health services if they pay proportionately more in taxes than the nativeborn. However if health spending does not rise in line with tax revenues, or the composition of the population and hence demand for health services changes as a result of immigration, then there may be crowding resulting from any increase in population competing for resources. However there is very little evidence so far for the UK on the effects on its health service.

**Equally immigrants may at times provide the otherwise scarce labour to staff health services.** According to the 2013 Labour Force Survey, 22% of health professionals and 21% of nurses are immigrants (immigrants make up 15% of the rest of the workforce). There is a need to understand if this creates a "brain drain", displacing skilled labour away from the source country, or instead increases the supply of skilled labour for domestic use in the source country. <sup>34</sup>

Immigrants are typically healthier on arrival than the native-born population. Healthier immigrants will be younger, have more to gain from migration, may be the recipients of higher incomes than less healthy migrants or may be less likely to return to the origin country. However it seems that the health of many immigrants converges toward that of the native population as the time spent in the country passes.

<sup>&</sup>lt;sup>33</sup> Department of Health (2010a, 2010b)

<sup>34</sup> Mountford (1997)

To address this issue it is essential to have data on the health and use of health services of immigrants and the native-born population. Any data needs to have information on the characteristics of individuals to control for factors, like for example age, that are associated with health but which if not accounted for may complicate comparisons of immigrant and native-born use of health services. Ideally this data would also be longitudinal (following individuals over time) so that the researcher can control for features that may otherwise compromise any analysis. What we do know is that immigrants to the UK seem to use the health and GP services at about as much as the native-born population, on a like for like comparison.<sup>35</sup>

<sup>&</sup>lt;sup>35</sup> See Wadsworth (2013). For an introduction to the wider literature on immigration and health in other countries see for the United States; Borjas (2003), Borjas and Hilton (1996), Jasso, Massey, Rosenzweig and Smith (2004), for Sweden Grönqvist, Johansson and Niknami (2012), for Canada Laroche (2000), McDonald J. and Kennedy S., (2004)

#### 6. Education

According to the OECD, 10.6% of 15 years-old students enrolled in UK schools in year 2009 had both parents born abroad. Of them, little less than a half (4.8%) was born abroad. These numbers place UK just above the OECD average. No information about parental migration status of pupils is collected by the UK school census. According to the school census<sup>36</sup>, 18.1% of the 4.3 million pupils enrolled in state-funded primary schools in 2013 did not speak English as first language when at home. The figure for secondary schools is slightly lower, 13.6%.

Some people are worried that the increasing presence of children of migrants might generate congestion problems in schools and harm educational outcomes of native pupils. Indeed, children of migrants are not evenly distributed across the UK territory and their share can be sensibly high in some schools in specific areas. Children with immigrant background tend to select into schools that differ from others along many dimensions – such as class size or the quality of native pupils – and that makes it hard to assess the impact of their presence on native pupils. The only study available for the UK found zero effect of the presence of students who do not speak English as first language at home on the educational outcomes of native English speakers in primary schools<sup>37</sup>. Similar studies for other European countries found either zero or weak negative effect of immigrant concentration on native pupils learning outcomes<sup>38</sup>.

Non-native students play a vital role in UK universities: tertiary education exports were estimated to be worth £10.5 billion to the UK economy in 2011<sup>39</sup>. In the same year, there were around 435.000 international students studying in publicly-funded British higher education institutions<sup>40</sup> placing UK at the second place among the most popular destinations for international students, with a global market share equal to 13 percent.

International students contribute in an important way to the generation of revenues for the higher education sector and boost innovative activity. Overseas students in British universities have paid, in 2011/12, around £3.9bn in tuition fees (net of scholarships) and £6.3bn in living expenses<sup>41</sup>. Furthermore, non-EU students pay much higher fees than native born British and EU-students, de-facto subsidising tertiary education for native students. Foreign students have been proven to boost innovative activity inside and outside the academia. Studies for the UK are not available but empirical works for the US have found the presence of foreign graduate students having a significant and positive impact on innovative activity, measured as patent applications and patents awarded<sup>42</sup>. International students

<sup>&</sup>lt;sup>36</sup> Department of Education: School Census year 2013

Geay, McNally and Telhaj (2013)

<sup>&</sup>lt;sup>38</sup> Ammermuller and Pischke (2009); Ohinata and Van Ours (2013)

<sup>&</sup>lt;sup>39</sup> Estimates from the Department of Business, Innovation and Skills

<sup>&</sup>lt;sup>40</sup> Higher Education Statistics Agency

<sup>&</sup>lt;sup>41</sup> Estimates from the Department of Business, Innovation and Skills

<sup>&</sup>lt;sup>42</sup> Chellaraj, Maskus and Mattoo (2008)

make UK cities more diverse and dynamics, such outcomes are more difficult to measure though.

Nonetheless, some people are concerned that foreigners might exploit study visas with the main intention to find a job in the UK. Although there have certainly been cases of individuals gaming the system, policies aimed at restricting access of international students are likely to adversely affect also those who genuinely come to the country for studying. Research for the US has shown that visa restrictions limiting the entry of overseas students caused a decrease in the quality of the pool of applicants to post graduate studies<sup>43</sup>.

In England, restrictions to the entrance of overseas students have contributed to the decrease in the number of overseas entrants observed in 2012-13, the first drop in 29 years. While the number of EU-students has gone down, enrolment from some non-EU countries dropped even more. For example, in 2012-2013 the enrolment of students from India and Pakistan fell by 26 and 20 percent respectively<sup>44</sup>.

<sup>&</sup>lt;sup>43</sup> Stuen, Mobarak and Maskus (2012)

<sup>44</sup> Higher Education Statistics Agency

## 7. Housing

The demand for housing depends on the level of family income, the availability of credit and the number of people. If immigration increases then, just as with any rise in the population, there may be concerns regarding the effect on house prices and rents if supply of housing does not keep up with any increase in demand resulting from a larger population. But it is questionable whether there should be any difference between the effect of increases in the native born or foreign born population on house prices and rents.

One reason is that immigrants may be more likely to concentrate in particular parts of the country, particularly London and other urban areas, in comparison to the native-born population. This might be because of a desire to live near earlier immigrants from the same country or to be close to particular job opportunities. If immigrants are, on average, wealthier than native-born they may demand housing in areas which are already popular and experiencing rising prices. Poorer immigrants may be more likely to locate in relatively cheaper or declining areas. Most new immigrants are likely to rent on arrival, since most will not be able to secure a mortgage.

Immigration may also influence the housing market indirectly if there is any out-migration of some of the native-born population from areas where immigrants are moving to. So house prices and rents could fall if the outflow of native-born population is greater than the immigrant inflow.

Immigrants could have either a negative or positive effect on house prices if their housing preferences are systematically different from the native born. For example if immigrants are younger and less likely to be married they may demand more small unit accommodation rather than larger houses compared to the native-born population. The price and rents for flats may then rise more than the prices and rents of larger houses.

If immigration has a negative effect on native-born wages (or even just for some of the population, such as the less-skilled) this could also affect house prices indirectly, given that wage income is a major determinant of house prices.

There are several difficulties in assessing any effects of immigration on house prices and rents. First, immigrants may be attracted to areas that have successful local economies. There therefore may seem to be an association between rising house prices and rising immigration, but the cause of rising prices is the success of the local economy not immigration. Conversely migrants may be attracted to declining areas with lower housing costs, leading to an underestimate of any effects of immigration on prices and rents. There are other factors that also drive both house price changes and immigrant inflows, such as expectations of future economic growth, or improvements to the environment or amenities

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 $<sup>^{45}</sup>$  Nickell (2011), Hatton and Tani (2005)

such as parks, schools and other facilities. The evidence from the UK suggests that immigration to an area reduces house prices. <sup>46</sup> In contrast, in the United States, a rise in immigration is associated with an increase in rents and house prices. <sup>47</sup>

Another important issue is to what extent immigrants have access to social housing. This helps us understand whether immigrants are net contributors to the UK and because social housing is rationed any increased access of immigrants may lead to reduced access for the native born population. The evidence suggests that once controls for factors like the demographic structure of the household, the area of residence and economic circumstances immigrant households are significantly less likely to be in social housing than equivalent native households.<sup>48</sup>

<sup>&</sup>lt;sup>46</sup> Sa (2011)

<sup>&</sup>lt;sup>47</sup> Sa (2011). Saiz (2003, 2007), Saiz and Wachter (2011)

<sup>&</sup>lt;sup>48</sup> Battiston et al (2014)

#### 8. Crime

Immigrants might, in principle, be more or less law abiding than natives and more or less likely to be victims of crime themselves. Immigration can therefore change crime rates. International surveys on attitudes of citizens (such as International Social Survey Programme and the Transatlantic Trends Survey) consistently show high levels of concern about immigrants bringing an increase in crime<sup>49</sup> even if there is no clear reason in favour or against the claim that migrants are more likely to commit crime.

The existing evidence does not necessarily support this concern. In this area, data need to be carefully interpreted before reaching any conclusion. For instance, overrepresentation of immigrants among the prison population in most OECD countries notably, immigrants are only slightly overrepresented in the UK and are underrepresented in the US – may reinforce the belief among voters that immigrants disproportionately engage in crime. Immigrants often tend to be younger and more likely to be male than the native population, which – even if they are less (or equally) inclined to commit crime than natives – may make them more likely to commit crime as a group. 50 In the UK, for instance, men account for about 85 percent of the offenders and the peak offending rate is at age 17-18. 51 Discrimination against immigrants, disadvantages in dealing with the judicial system (language barriers, poor lawyers, etc.) and lack of a legal residence to obtain home arrest are all factors that may artificially inflate the probability that an immigrants ends up behind bars. 52 Similarly, if immigrants choose to reside in more deprived areas because housing prices are lower there, we will find that the presence of immigrants in an area is associated to high crime rates. Nevertheless, this does not necessarily imply that the arrival of immigrants cause an increase in crime. On the contrary, high crime in an area drives down housing prices and, for this reason, attracts immigrants. The empirical evidence that has rigorously tried to analyse this issue in a range of countries (US, UK, Italy, etc.) has generally failed to find a strong and sizeable impact of immigration on crime. 53 For instance, in spite of the size of that inflow, no evidence has been found in the UK of an increase in crime rates due to the arrival of A8 immigrants after the 2004 EU enlargement. 54

**Migration policy matters**. Some recent contributions suggest that migration policies targeted at increasing the social and labour market integration of immigrants may reduce the link between immigration and crime. In the UK context, for instance, it has been shown that preventing asylum seekers from having legal employment and dispersing them in deprived areas of the country may induce them to engage more in property crime. <sup>55</sup>

<sup>&</sup>lt;sup>49</sup> Fasani et al. (2013).

<sup>&</sup>lt;sup>50</sup> Bell and Machin (2012)

<sup>&</sup>lt;sup>51</sup> Criminal Statistics, UK Ministry of Justice.

<sup>&</sup>lt;sup>52</sup> Fasani et al. (2013); Butcher, K., and Piehl, A. (1998b and 2007)

<sup>&</sup>lt;sup>53</sup> Butcher, K., and Piehl, A. (1998a); Alonso et al. (2008); Bianchi et al. (2012); Bell et al. (2013); Jaitman & Stephen Machin (2013); Spenkuch, J. (forthcoming).

<sup>&</sup>lt;sup>54</sup> Bell et al. (2013).

<sup>&</sup>lt;sup>55</sup> Bell et al. (2013).

Similarly, studies on Italy show that granting legal status to undocumented immigrants may substantially reduce their participation in illegal activities. $^{56}$

<sup>&</sup>lt;sup>56</sup> Fasani et al. (2013).

### 9. International development

Moving from one country to another can lead individuals to increase their wage by up to 50, 100, up to 500 percent<sup>57</sup>. For this reason, migration is one of the most important means through which individuals can lift themselves out of poverty. Currently, about 215 million people - 3 percent of the world population - live outside their country of birth<sup>58</sup>.

Official remittances from international migrants toward developing countries amounted to \$414 billion in 2013<sup>59</sup>. The true size of remittances, including unrecorded flows trough formal and informal channels, is believed to be significantly larger. Migrants retain strong links with sending communities and migration is often part of family decisions where only some members leave the country of origin while money are regularly sent home. International remittances account for more than 10 percent of gross domestic product in many developing countries. In 2012, remittances received by developing countries were nearly three times the amount of official aid and about 2/3 the foreign direct investment (FDI) flows to the same group of countries. Not only remittances are larger, they also are more resilient in time of global economic crisis: between 2008 and 2009 FDI flows declined by 40 percent, while remittances only by 5.5 percent. There is strong empirical evidence that remittances from abroad contribute to reduce poverty in sending communities, and lead to an increase in health investment, education and small businesses<sup>60</sup>.

Over and above remittances, emigrants can affect origin countries in a number of ways. While abroad, migrants create links that can facilitate business relationships and enhance commercial relations between countries. Furthermore, once returned home, migrants bring with them the skills developed while in the host country, like stronger entrepreneurial attitude and new managerial practices<sup>61</sup>. Finally, emigrants exposed to good institutions at destination tend to improve the quality of institution at home<sup>62</sup>.

Migration is a tremendous source of economic development and restrictive immigration policies hinder this potential. Some economists argue that the tightly binding constraints on immigration from poor countries are the greatest class of distortion in the global economy. Some studies calculated that the emigration of less than 5 percent of the population of poor regions would bring global gains exceeding the gains from total elimination of all barriers to trade and capital flows<sup>63</sup>. In a world where developed countries spend on overseas aid as a means of promoting international development, loosening immigration policies has the potential to be a highly effective policy achieving the same goal. Aid may nonetheless be perceived as a way to help people "in their own countries" under the assumption that economic development reduces migration pressure. As a matter of fact, some studies have

<sup>&</sup>lt;sup>57</sup> Clemens (2011)

<sup>58</sup> World Bank

<sup>&</sup>lt;sup>59</sup> Data presented in this paragraph come from the World Bank

<sup>&</sup>lt;sup>60</sup> Edwards and Ureta (2003); Mendola (2006); Rapoport and Docquier (2006); Ratha (2003); Yang (2008)

<sup>&</sup>lt;sup>61</sup> Wahba and Zenou (2012)

<sup>&</sup>lt;sup>62</sup> Batista and Vicente (2011); Bertoli and Marchetta (2013)

<sup>63</sup> Moses and Letnes (2004)

shown that in low-income countries economic growth is more likely to increase emigration<sup>64</sup>, because more people can afford to emigrate, rather than decreasing it, generating more pressure on receiving developed economies as the UK.

<sup>&</sup>lt;sup>64</sup> Angelucci (2014)

### 10. Migration to and from the UK – the numbers

According to the 2011 UK Census, 13% of UK residents are foreign born. This is considerably lower than the fraction reported in surveys to be believed to have been born abroad, which can be as high as a third.<sup>65</sup> Data from the 2012 Labour Force Survey suggests that migrants are more educated compared to natives. For instance, in 2012, the share of individuals with completed tertiary education is 20% among the UK born population, 41% among all migrants and over 50% for recently arrived migrants<sup>66</sup>.

The migrant share in the UK is very similar to other large European countries. Data from the United Nations<sup>67</sup> puts the share of foreign born among the population for both France and Germany at 12%. The migrant share for both the US and Spain is slightly higher, 14%. Other high income countries show considerably larger migrant shares than the UK. For instance, the shares of foreign born are 21% in Canada, 28% in Australia and 29% in Switzerland. Like other high income countries, the UK has experienced an increase in migrant shares, which rose from 8% in 2000 to 13% in 2011. During the same period, migrant shares in Spain increased from 4% to 14%. Similarly, in Ireland the share of foreign born went from 10% in 2000 to 16% in 2013.

According to World Bank estimates, UK citizens living abroad represent 7.5% of the UK population. For 2010 the World Bank estimated the number of UK nationals living abroad to be 4.7 million. The three countries with the largest numbers of UK nationals are in order Australia, US and Canada. Within the EU, the countries with the largest stocks of UK citizens are Spain, with 398,000 individuals and France, with 154,000 individuals. Many of the UK nationals moving abroad have much in common with immigrants to the UK. Whilst retirement migration has grown, data from the Intentional Passenger Survey suggest that UK emigrants tend to be younger and more educated compared to the population in the UK when they left. In the last decade, the number of UK nationals leaving the UK net of returnees was around 75,000 per year. This constitutes around one fourth of the 280,000 non-UK citizens entering the UK every year over the same time period.

<sup>&</sup>lt;sup>65</sup> Transatlantic Trends (2011)

 $<sup>^{66}</sup>$  "Tertiary education" is defined as having left full-time education at age 21 or older.

<sup>&</sup>lt;sup>67</sup> United Nations, Department of Economic and Social Affairs (2013).

<sup>&</sup>lt;sup>68</sup> The World Bank (2011).

<sup>&</sup>lt;sup>69</sup> In 2011, according to the Population Registry of the Spanish National Statistical Institute; this is likely to be a conservative estimate.

<sup>&</sup>lt;sup>70</sup> In 2009, using data from the French Census. The actual number is likely to be higher.

<sup>&</sup>lt;sup>71</sup> International Passenger Survey (2014)

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