
# The impacts of international migration on poverty in the UK

by Carlos Vargas-Silva, Yvonni Markaki and Madeleine Sumption

This report looks at the impacts of international migration on poverty in the UK. Migration has wide-ranging impacts, many of which are relevant to the study of poverty, yet prior studies have not examined the evidence through this lens. This report reviews existing research, examines policy options for a poverty reduction strategy and discusses gaps in the evidence base.

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What are the impacts of international migration on poverty in the UK? Migration has wide-ranging impacts, many of which are relevant to the study of poverty, yet previous studies have generally not examined the evidence through this lens. This report reviews existing research, examines policy options for poverty-reduction strategies and discusses gaps in the evidence base.

**The report shows that:**

- there are four key ways in which migration may affect the incidence of poverty – through the labour market, prices and the cost of living, public services and public finances
- these factors affect poverty in different ways, making it difficult to determine the 'total' impact of migration on poverty
- significant effects of migration on employment rates have not been found, but migration seems to have decreased wages in some low-wage jobs
- migration appears to reduce the cost of some goods and services, resulting in more affordable prices for low-income, UK-born people.

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# Executive summary

Migration has wide-ranging impacts on society, the labour market and standards of living for residents of the United Kingdom (UK). Many of these impacts are extremely relevant to the study of poverty, yet previous studies have generally not considered the evidence through this lens. This report aims to address this gap.

The report examines the available evidence on the impacts of migration on four key areas that are closely linked to poverty: the labour market, prices and the cost of living, public services and public finances. It also looks at policy options for poverty-reduction strategies informed by the evidence and examines ways in which future research could address the many remaining gaps in the evidence.

## Key points

- Migration may affect poverty in many different ways. However, determining the impacts is difficult because of the complexity of poverty itself, the number of factors that affect it and continuing uncertainty about the size and nature of the impacts that migration has.
- Four key ways in which migration may be expected to affect the incidence of poverty in the UK are through impacts on the labour market, prices and the cost of living, public services and public finances.
- Significant effects of migration on employment rates have not been found. However, migration is likely to have decreased wages slightly in low-wage jobs, at least in the short run. While impacts have generally been found to be small, empirical uncertainties remain.
- Migration appears to reduce the cost of some goods and services, resulting in more affordable prices for low-income, UK-born people. However again, the impacts seem to be relatively small and may not have been measured precisely.
- The fiscal impacts of migration in the UK are estimated to be small (either positive or negative depending on measurement choices), and differ by migrant group. The evidence remains limited when it comes to the fiscal impacts of fine-grained policy changes.
- The overall impacts of migration across public services and across the UK as a whole are likely to be small (whether positive or negative), although impacts in high-migration areas may be more significant. More research and better data are needed to fully understand how migration affects public services.
- Adjusting policies to reflect evidence about the impacts of migration on poverty is a challenge. In addition to the problem of gaps in the evidence, immigration policy (which shapes the numbers, characteristics and rights of migrants in the UK) is inherently difficult to 'fine-tune' with a view to achieving specific social impacts.

## Evidence on the impacts of international migration in the UK

### The labour market

Migration brings new workers into the labour force and a substantial share of these people work in low-wage jobs. The UK economy does not have a fixed number of jobs, and economic theory predicts that as the workforce grows, employment should also grow. In the short run, however, migration may be expected to increase or decrease the wages and job opportunities of UK workers, depending on factors such as whether migrants' skills complement or substitute for those of existing residents. In practice, research to date has found the following:

- Migration has varied effects on wages: low-paid workers lose while medium- and high-paid workers gain, although impacts in both directions are small. A similar result is found when looking at the impacts of migration on low- versus high-skilled occupations.

- On average, there are no significant effects of migration on employment or unemployment. However, migration could negatively affect UK residents' employment during an economic downturn.
- Any adverse wage effects of migration are likely to be greatest for resident workers who are themselves migrants.

Studies carried out so far have some limitations and may not have accurately measured the impacts on particular groups of people who are most likely to be affected by migration, such as people with poor communication or analytical skills. They may also overlook local or regional variations in the impacts of migration.

### Prices and the cost of living

Migration is likely to affect the prices of goods and services that people at risk of poverty buy, by changing the numbers of people both producing and purchasing them. A small number of studies have assessed the impacts in the UK.

- Migration is associated with small decreases in the prices of non-tradable goods and services (that is, things that are produced and consumed within the same geographic area). These include take-away food, washing/dry cleaning and hairdressing.
- Evidence on the impacts of migration on the cost of housing is inconclusive. Some studies suggest that house prices fall in local areas experiencing higher migration, although it is unlikely that this can be extrapolated to the national level and evidence on the private rental market is limited. Migrants rely on social housing at roughly the same rate as UK-born people, contributing to demand for the falling number of social housing units.

### Public services

Similar to impacts on the cost of living, migration may increase the availability or quality of certain services by contributing to the workforce that provides them; but it may also put pressure on these services by increasing demand. Data limitations have been particularly significant in this field of study, although some conclusions can be drawn from existing evidence:

- Based on migrants' demographic characteristics alone (such as age), it is not likely that they would place a disproportionate burden on public services, on average.
- Impacts are likely to differ depending on the type of public service in question. For example, migrants are likely to use some services, such as maternity care and education, more than others, such as adult social care. The costs of expanding services in response to population growth are therefore likely to vary.
- Migrants contribute to the provision of certain public services, particularly health and social care. However, the impacts of the migrant workforce on the cost and quality of these services are very difficult to quantify.
- The cost implications of migrant-specific factors such as limited language proficiency are hard to calculate systematically.

### Public finances and the fiscal impacts of migration

If migration either increases or decreases government revenues relative to costs, in theory this should affect the state's capacity to support people at risk of poverty (although in practice, this relationship is likely to be quite indirect). A review of the evidence suggests the following:

- Measurement choices have a significant impact on the estimated net fiscal contribution of migrants, but overall, studies generally find that in the UK it is less than 1% of Gross Domestic Product.
- Estimated impacts vary by migrant group, with more positive contributions being appraised as coming from recent migrants and migrants from the European Economic Area.
- Aggregate fiscal impact studies tell us relatively little about the implications of specific policies – for example, the cost of providing particular welfare benefits or tax credits to particular groups of migrants.

# Developing poverty-reduction strategies informed by the evidence on the impacts of migration

Designing poverty-reduction strategies that take account of the impacts of migration is a challenge.

First, as described in this report, the evidence itself is often uncertain. Many gaps remain, and several would be difficult to address in the medium term due to data limitations or conceptual measurement problems. In many cases, the research provides a general picture of the impacts of migration, but lacks fine-grained distinctions that would be needed to target policies effectively.

Second, migration affects different factors (such as labour market opportunities, the cost of living, or the quality of services that are thought to reduce the risk of poverty) in different ways. This makes it difficult to produce a 'total' impact of migration on poverty that accounts for the varying impacts that the research has identified. For example, policies designed to reduce low-skilled migration should lower the risk of wage losses in low-wage jobs in the short term, and may slow the growth in the cost of housing, but could also increase the cost of certain goods and services that low-wage people consume. In particular, foreign-born workers are strongly overrepresented in social care; potentially significant adjustments (and greater financial investment) would be needed to create a social care business model that relied less heavily on this group. (Although, of course, changing the social care workforce model might be considered desirable in its own right.)

As a result, the effects of migration on poverty may be different for different groups (such as older people reliant on social care and young people in low-wage jobs). Perhaps more importantly, there are significant constraints on policies concerned with low-skilled migration. The fact that the primary sources of migrant workers in low-wage jobs are non-European Union (EU) family migration and EU free movement has made these flows difficult to restrict in practice in recent years. This may change as a result of the UK's vote to leave the EU, although at the time of writing the future development of migration policies in regard to EU citizens is not settled.

### Policies related to work and the labour market

Policies on education and training, the minimum wage, tax policies such as in-work benefits, and welfare reforms are generally seen as more powerful factors affecting people at the low end of the income spectrum than migration policies.

Migration may interact with some of these policies in complex ways. For example, labour market regulations and the flexibility of the UK labour market may have facilitated demand for a flexible migrant labour force. In the public sector, low investment in certain public services, such as social care, has led to low-wage jobs that are relatively unattractive to UK workers. Meanwhile, the lack of high-quality vocational training in certain fields, such as construction, may have encouraged demand for migrants rather than UK workers. Any strategy to encourage employers to hire UK workers rather than new migrants in such jobs would need to engage with these factors.

# Directions for future research

This report identifies numerous gaps in the evidence on the impacts of migration and this complicates the task of developing poverty-reduction strategies informed by knowledge on migration. Some of these areas would be difficult to address without improved data. It would be useful to conduct a systematic audit of available data held by decentralised groups such as public service providers and local authorities, which could be used in research about the impacts of migration.

Ways in which research gaps could be addressed in the short and medium term, include:

- extending existing evidence by examining additional variables and populations that may be affected by migration – this could include analysis of the impacts of migration on:

  - various measures of poverty
  - household (rather than individual) incomes
  - different demographic groups (such as by gender, age, ethnicity or type of location within the UK)
- carrying out further research on the dynamics of low-wage labour markets that rely on migrant workers, including:
  - structural features of the UK labour market that may encourage low-wage business models
  - the role of employment agencies
  - the determinants of exploitation in low-wage labour markets
- conducting local and regional analysis of the impacts of migration on public services and the responses of local government service provision to budget pressures in the context of population growth, including:
  - how national-level policies affect the regional distribution and profile of migration
  - how funding formulae are affected by migration and the implications for service providers' responses
  - the impacts of migration on the scope and quality of public services.

# 1 Introduction

Migration to the United Kingdom (UK) has increased considerably since the early 1990s. The share of foreign-born people in the population of England and Wales increased from 7% in the 1991 Census to 9% in 2001 and 13% in 2011 (Office for National Statistics, 2013). By 2015, there were an estimated 8.6 million foreign-born people in the UK as a whole, of whom 3.3 million were from European Union (EU) countries and 5.3 million were from outside of the EU. Migration levels fell in the aftermath of the global economic crisis, but resumed recently with the economic recovery that followed, with net migration of people of all citizenships reaching an estimated 333,000 in 2015 (Office for National Statistics, 2016).

Migration has wide-ranging impacts on the labour market, society and standards of living for UK residents. Over the past 15 years, a substantial evidence base has developed examining many of these impacts, driven by improvements in the available data and the rising salience of migration in political debates. The depth of this evidence varies, as does its relevance and usefulness for policy-makers considering poverty-reduction strategies in the UK. Although many of the impacts of migration are highly relevant to the study of poverty, most empirical research on migration to date has not examined effects on poverty directly.

There are several reasons for this, including:

- the complexity of poverty itself, the varying ways in which it can be measured and the continuing uncertainty about its underlying drivers (Niemietz, 2011; Joseph Rowntree Foundation, 2014)
- uncertainty about the nature and size of the impacts of migration.

Despite the growth in the evidence base on migration, both data limitations and methodological challenges have made it difficult to generate granular evidence that would provide clear policy prescriptions. In particular, there is more information about the aggregate impacts of migration than there is about:

- the very specific demographic groups and types of places that stand to gain or lose as a result of migration
- the way that impacts vary depending on the type of migration in question
- how the effects of migration on poverty are affected by policies – from labour market regulation to local government finance.

Migrants to the UK are a diverse group and, as noted, different types of migration are likely to have different effects. Table 1 shows reasons for migration for the foreign-born population living in the UK in 2013, based on analysis by the Home Office. People from the European Economic Area (EEA)[1] are most likely to have moved for work, while study, humanitarian protection and particularly family migration are more common for non-EEA nationals.

**Table 1: Reason for migration by place of birth, 2013 (population numbers in thousands)**

| | Economic | Study | Family | Dependant | Refugee | Other | No answer | Total |
|---|---|---|---|---|---|---|---|---|
| EEA | 1,210 | 266 | 400 | 478 | 14 | 309 | 10 | 2,687 |
| | 45% | 10% | 15% | 18% | 1% | 11% | 0% | 100% |
| Non-EEA | 875 | 751 | 1,202 | 1,096 | 363 | 784 | 23 | 5,094 |
| | 17% | 15% | 24% | 22% | 7% | 15% | 0% | 100% |

Note: EEA = European Economic Area.

Source: Home Office analysis of the Annual Population Survey, in Cooper *et al.* (2014)

Skill levels also vary widely within the foreign-born population. On average, foreign-born people have higher levels of education than people born in the UK (see Table 2). This does not always translate into high-skilled jobs, however. People from countries that joined the EU before 2004 and people from outside the EU are, on average, working in higher-earning jobs than those from Eastern European EU member states such as Poland and Romania. In 2015, one-third of people born in new EU member states were working in low-skilled jobs, compared with 10% of people born in the UK.

**Table 2: Labour market characteristics of foreign-born people in the UK, 2015**

| Variable | UK born | Foreign born | Old EU born | Accession country born | Non-EU born |
|---|---|---|---|---|---|
| Annual pay | £25,000 | £26,000 | £31,000 | £19,000 | £27,000 |
| Share in low-skilled jobs | 10% | 17% | 11% | 30% | 13% |
| Highly educated | 26% | 48% | 52% | 40% | 50% |
| Unemployed | 5.3% | 6.4% | 5.5% | 4.3% | 7.6% |
| Time in the UK (mean) | – | 16 years | 19 years | 9 years | 17 years |

Note: Only includes those aged 16–64. Annual pay is 52 times gross weekly pay from up to two main jobs. Highly educated = left education at age 21 or later. Accession countries refer to member states that joined the EU in 2004 or later.

Source: 2015 Labour Force Survey, quarter 1 to quarter 4

There are also variations in skill level by reason for migration, with international students working in higher-skilled jobs and refugees more likely to be in low-skilled work (Cooper *et al.*, 2014). The two largest sources of migrant workers in low-wage jobs are now non-EU family migration and EU labour migration. In 2013, there were just under 1.2 million migrant workers employed in low-skilled jobs in 2013, according to the Migration Advisory Committee (2014). Among them, 29% were non-EU family migrants, the traditional source of low-skilled migration to the UK; a comparable proportion – 26% – were EU labour migrants.[2]

On 23 June 2016, the UK public voted to leave the EU. It is too early to predict the consequences of this vote for migration, but two general observations can be made. First, the free movement of people between the UK and other EU countries will remain in place until the withdrawal process is formally completed – a process that is expected to take at least two years and potentially more. Second, while there are some scenarios in which free movement could remain in place indefinitely (notably if the UK remains in the EEA), EU exit may well mean dramatically different policies towards EU citizens migrating to the UK, including the introduction of selection based on skills or wages. While overall immigration could remain substantial even in this scenario (Migration Observatory, 2016b), this would shift the balance towards more skilled migration, with consequences for all of the socioeconomic effects discussed in this report.

To help the Joseph Rowntree Foundation (JRF) to develop its programme of work on sustainably reducing poverty in the UK, this report:

- reviews existing research on the impacts of migration on poverty in the UK
- examines policy options for poverty-reduction strategies informed by this evidence
- discusses gaps in the evidence base.

# 2 What is poverty and how might migration affect it?

## Measuring poverty

The poverty line can be defined in different ways. For the purpose of this report, JRF's definition is used: the threshold below which a person's resources are not sufficient to meet their basic needs, including participation in common customs and activities (Goulden and D'Arcy, 2014). Income alone is not sufficient as the sole indicator of a person's level of poverty (Sen, 1993). A range of individual circumstances and characteristics all affect the ways in which people are able to translate available resources into a given standard of living. These include social networks, family structure, education, age, disabilities, access to public services such as health care and schools, and the security of the local neighbourhood.

As a result, research on poverty considers many different indicators and characteristics that may place individuals or households at a higher or lower risk of poverty (Alkire *et al.*, 2014). These include:

- individual earnings
- household income and financial assets
- housing
- benefits use
- access to transport, health and educational services (Joseph Rowntree Foundation, 2014).

Each of these dimensions of living standards can in turn be assessed using different specific measures. In the case of housing, for example, measures include private, social and owner-occupier housing rates, overcrowding, landlord or mortgage repossessions and homelessness. Work-related measures include underemployment, youth unemployment, long-term unemployment and low skills (Joseph Rowntree Foundation, 2014).

## How might migration affect poverty?

This report examines four major areas in which migration might be expected to influence poverty, either positively or negatively.

The first area is the labour market. Migration brings new workers into the labour force; and a substantial share of these people work in low-wage jobs (Migration Advisory Committee, 2014). This may increase the risk of poverty by lowering wages or reducing employment opportunities for certain groups of UK residents (while raising wages for people whose skills complement, rather than act as substitutes for, the skills of new migrants). These effects are expected to occur mainly in the short term, before the labour market adjusts to the arrival of new workers. The impacts on poverty will depend on the size of any reductions in wages or employment, as well as their distribution within and across households (and thus their impact on total household income).

The second area is prices and the cost of living. Migration is likely to affect the prices of goods and services that people at risk of poverty buy, by changing the numbers of people both producing and purchasing them. In general, we would expect certain goods and services to become less expensive because migrants are concentrated in the workforce that produces them; while others may become more expensive as migrants push up demand.

The third area is public services, such as education, health care, social care and social housing. Similar to impacts on the cost of living, migration may increase the availability or quality of certain services by contributing to the workforce that provides them; but it may also put pressure on these services by increasing demand. In practice, these effects will also be highly varied depending on the types of services

at stake. Impacts will also depend on how effectively service providers respond to increased demand, and how easy (or how costly) it is to scale up provision.

The fourth area is public finances and the fiscal costs or benefits of migration. If migration either increases or decreases government revenues relative to costs, in theory this should affect the state's capacity to support people at risk of poverty. In practice, this relationship is likely to be quite indirect, as there is no guarantee that any additional revenues will, in fact, be spent on poverty reduction.

Migration may affect these various dimensions in different ways, while the impacts of different migrant groups may also vary. Designing policies that reflect fine-grained variations in impacts can therefore be challenging. Short-term influences may differ in direction and magnitude from long-term impacts. Perhaps most importantly, analysis of the impacts of migration must ask: 'impacts on whom?'. UK demographic groups may be affected in different ways, in different locations and with different levels of intensity. In particular, analysis that looks only at impacts on UK citizens or those born in the UK may ignore the fact that some of the labour market effects of migration are felt most acutely by other groups, particularly recent migrants.

Some of these tensions are discussed in Chapter 5. In the meantime, the next chapter seeks to compile the available evidence in each of the four areas to establish what we can say about the impacts of migration in each case, and with how much certainty.

# 3 Evidence on the impacts of migration

## The labour market

**The impacts of migration on the labour market depend on whether and to what extent migrants' skills are substitutes for, or complements to, the skills of existing workers.**

The impacts of migration on the labour market depend on several factors, including the skills of migrants, the skills of existing workers and the characteristics of the economy. Since the number and composition of jobs in the economy is not fixed, we would expect the labour market to adjust to migration through changes in the number of jobs available and the nature of work on offer.

In the immediate short run, the effects of migration on the wages and employment of existing workers depend on the extent to which migrants have skills that are substitutes for, or complements to, those of existing workers. If the skills of migrants are substitutes for those of existing workers, migration can be expected to increase competition in the labour market and reduce wages. If, on the other hand, the skills of migrants are complementary to those of existing workers, all workers could experience increased productivity, leading to a rise in wages. The skills of migrants can complement the skills of some UK-born workers and overlap with the skills of others.

**Migration has dissimilar impacts along the wage distribution: low-paid workers are more likely to lose while medium- and high-paid workers are more likely to gain.**

Empirical research on the labour market effects of migration in the UK has focused on individual earnings, rather than household income. This research suggests that migration has relatively small effects on average wages but more significant effects along the wage distribution, that is, on low-, medium- and high-paid workers.

Dustmann *et al.* (2008) found that, in the period 1997–2005, when the UK experienced significant labour migration, an increase in the number of migrants corresponding to 1% of the UK-born working-age population resulted in a small increase in average wages of 0.1 to 0.3%. They argued that, in part, this increase was likely to be because many migrants are overqualified for their jobs, and their higher productivity generates a 'surplus' that is shared across the UK-born workforce. Using the information from Dustmann *et al.*'s (2008) study, the Migration Advisory Committee (2012) estimated that the results imply an increase of between £1.60 and £2.30 per year in average wages as a result of 10,000 additional migrants.

Another study, for the period 2000–7, found that a 1% increase in the share of migrants in the UK's working-age population lowered the average wage by 0.3% (Reed and Latorre, 2009). Using the information from this study, the Migration Advisory Committee (2012) estimated that the results imply a decrease of £2 per year in average wages as a result of 10,000 additional migrants.

These two studies relate to different time periods and used different approaches, and thus reached different conclusions. However, they both suggested that any effects of migration on average wages are relatively small.

The effects of migration on workers within specific wage ranges or in specific occupations are more significant; the greatest wage effects have been found for low-waged workers. For example, Dustmann *et al.* (2008) found that each 1% increase in the share of migrants in the UK-born working-age population leads to a 0.5% decline in the wages of the first decile of the wage distribution (i.e. 10% lowest-paid workers). In contrast, there is a 0.4% increase in wages for higher-paid workers – those at the ninth decile of the wage distribution. The Migration Advisory Committee's (2012) analysis of Dustmann *et al.*'s (2008) study suggests that the results imply that 10,000 additional migrants would result in a decrease of £1 per year for the first decile of the wage distribution and an increase of £5.40 per year for the ninth decile of the wage distribution.

Similarly, another study focusing on wage effects at the occupational level between 1992 and 2006 found that, in the unskilled and semi-skilled service sector, a 1% rise in the share of migrants reduced average wages in this sector by 0.5% (Nickell and Saleheen, 2008).

The available research further shows that any adverse wage effects of migration are likely to be greatest for resident workers who are themselves migrants (Manacorda *et al.*, 2012). This is because the skills of arriving migrants are likely to be closer substitutes for the skills of migrants already employed in the UK than for those of UK-born workers.

Previous studies have not focused on the impact of migration on household income or hours worked, which are important outcomes when considering poverty. Another potentially important factor that has not been examined in previous studies is minimum wages, which may affect migration and its impacts in various ways. By 2020, the minimum wage that employers must pay to workers aged 25 and older is expected to rise from £6.70 in 2015–16 to around £9 (the 'National Living Wage'). Because a higher share of those born abroad are in low-wage jobs, more of them are likely to be affected by the policy change (Migration Observatory, 2016a). On the one hand, the National Living Wage could make the UK labour market more attractive for prospective migrants (particularly EU citizens who currently still have free movement rights); on the other, it may encourage UK employers to restructure their workforce and reduce their reliance on low-wage workers, including migrants. Higher required wages could also affect the impacts of migration on UK residents in low-wage jobs by restricting the options for employers to adjust wages in response to migration. However, it is not possible to make solid predictions in this regard given the complex dynamics in place. The relationship between minimum wages and migration may also change if the UK's exit from the EU results in restrictions on migration into lower-wage jobs.

**Quantitative research does not find a significant impact of overall migration on unemployment in the UK, but the evidence suggests that migration from outside the EU could have a negative impact on the employment rates of UK-born workers, especially during an economic downturn.**

Various studies have examined the impacts of migration on employment and unemployment. In theory, migration increases the number of workers looking for jobs, and thus might be expected to create competition for vacancies. However, the number of jobs an economy provides is not fixed, and economic theory suggests that employers should adjust to a larger workforce by creating more jobs. As a result, the short-term impacts of migration on employment and unemployment are an empirical question.

Most studies looking at the impacts of migration on employment or unemployment in the UK have not found significant effects. For example, Lucchino *et al.* (2012) used National Insurance number (NINO) registrations data from 2002 to 2011 to explore the impact of migration on claimant count rates (a proxy for unemployment) in 379 local authorities in England. The results suggested that migration had no impact on these rates. This result held even during periods of low economic growth or recession. However, other studies have suggested that the strength of the economy does affect its ability to receive new migrant workers without adverse employment effects (Migration Advisory Committee, 2012).

The impacts of migration are likely to depend on the type of migration in question, although in practice it is difficult to identify subtle distinctions between groups of migrants using available data. This is because specific subgroups of migrants are often measured using small samples, resulting in significant measurement error. There is no separate analysis on the differences between the impacts of family migration, economic migration and refugees, although it is generally assumed that the impacts of migration depend more on migrants' skill level and employment rates than the reason for migration in its own right. Studies on the impacts of refugees in Denmark and the United States have come to similar conclusions as UK studies on the impacts of migration as a whole (Card, 1990; Foged and Peri, 2016).

However, some studies have distinguished between EU and non-EU migration. The Migration Advisory Committee (2012) examined the impact of migrants on the employment of UK-born people using data from 1975 to 2010. It found that while, overall, migrants had no impact on UK-born employment, non-EU migration was associated with a reduction in the employment of UK-born workers between 1995 and 2010. No statistically significant effects were found for EU migration.

**Evidence for high-income countries other than the UK suggests that low-skilled migration leads to a re-allocation of existing low-skilled residents across occupations.**

Low-skilled workers born in the receiving country have a relative advantage over low-skilled migrants in tasks that make greater use of local cultural knowledge and communication skills. Evidence for high-income countries other than the UK suggests that low-skilled natives respond to migration by moving into jobs that make more use of cultural and communication skills and less use of manual skills (Peri and Sparber, 2009; D'Amuri and Peri, 2014). A typical example is a construction company that hires more migrants to do manual tasks (e.g. bricklaying). The additional migrant workers and the related increase in business activity may then generate a need for more construction supervisors and sales representatives. These roles require cultural and communication skills for which migrants are less competitive. The literature also suggests that the results are not limited to economic migrants (Foged and Peri, 2015). An inflow of certain groups of migrants, such as refugees, who are often associated with low-skilled work, may also encourage members of the local workforce to move towards jobs in which they complement, rather than substitute for, migrants (i.e. culture/communication-intensive roles rather than manual jobs). The review carried out for this report did not identify any quantitative assessments of this possibility for the case of the UK.

**Qualitative studies often find that employers prefer migrant workers for certain jobs.**

The fact that quantitative studies have generally found the impacts of migration to be small may seem surprising in the light of qualitative studies that have identified employer preferences for migrant workers for certain types of jobs, particularly low-wage jobs. Interviews with and surveys of employers suggest that many migrant workers are more attractive employees. The reasons for this include migrants' perceived 'work ethic', especially in low-wage jobs offering unattractive working conditions, irregular working hours or shift work, or requiring workers to live on site (Ruhs and Anderson, 2010). They also include the fact that many migrants – particularly Eastern Europeans arriving since 2004 – are working in low-wage jobs despite high levels of qualifications, while British applicants for the same positions are more likely to lack basic literacy and numeracy skills (Migration Advisory Committee, 2014). These findings are not necessarily inconsistent with small quantitative effects, however, since it is plausible that migration's impact on job creation limits the size of any effects on UK workers.

**There are multiple difficulties in analysing the labour market impacts of migration. Studies have employed various methods to address these issues, but some obstacles remain.**

Methodological challenges have made it difficult to identify the impacts of migration on wages and employment with certainty or to be confident about the precise magnitude of any effects. The studies reviewed in this report have employed various methods to address these issues. However, none of the techniques is perfect, meaning that difficulties and caveats inevitably remain.

First, data on migration is itself imperfect, leading to measurement error and the likelihood that some of the effects of migration go unmeasured. Similarly, the data naturally limits the criteria against which researchers can identify specific subgroups of UK workers who are most likely to experience the impacts of migration (e.g. we can look at low earners or at people working in specific occupations, but cannot necessarily identify impacts on people with harder-to-measure characteristics, such as communication skills or numeracy).

Second, migrants are more likely to choose destinations that are experiencing economic growth and strong labour demand – migration can be both a cause and a consequence of changes in wages and employment. This makes it difficult to establish causality. Economists use statistical techniques that attempt to address this issue, although in practice we cannot be certain that these techniques eliminate all bias in the data that may arise as a result.

Third, there are also considerable challenges in measuring the impacts of migration on productivity, innovation and entrepreneurship – all of which are expected to have knock-on effects on the labour market.

Finally, the impacts of migration on the wages and employment opportunities of existing workers are always specific to time and place. This means that the results of empirical research only apply to the period under consideration. Moreover, there has been relatively little work assessing how the labour

market impacts vary depending on the type of location in question – for example, in rural versus urban labour markets, or in areas that rely on different types of industries.

**Implications for the study of poverty: the impacts of migration on wages and employment have generally been found to be relatively small, but uncertainties remain.**

The impacts of migration on wages and employment in the UK have generally been found to be relatively small. Reductions in individual earnings could contribute to an increase in the risk of poverty for certain households, although some uncertainty remains as to the size of the effects and how they are distributed within the groups that face them (e.g. people in low-wage jobs). Another difficulty in identifying impacts of migration on the risk of poverty is that studies look at individual earnings rather than household income, while in practice the latter would be a more useful measure for the study of poverty.

# Prices and the cost of living

**Migration affects both the demand for and supply of goods and services and thus, in theory, could either increase or reduce prices.**

The 'real income' of individuals and households depends on their nominal income and the prices of the things they buy. As a result, prices can have an important impact on standards of living, particularly in the case of low-income people and particularly for goods and services that take up a substantial share of consumption, such as food and housing.

Goods and services can be broadly divided in two types: tradable and non-tradable. The prices of tradable goods (e.g. the price of oil) should not be affected by changes in local conditions, such as migration, because they are set in international markets. The prices of non-tradable goods and services are affected by changes in local demand and supply, however, and thus may respond to migration.

An increase in migration can lead to an increase in the demand for certain goods (e.g. houses), but can also lead to an increase in the supply of workers in certain industries (e.g. construction workers). The increase in demand for goods will increase the price of those goods, while the increase in the supply of workers in a certain industry will reduce the costs of production and should therefore be expected to decrease prices. The final impact of migration on prices will depend on the balance between these two effects.

**Emerging evidence suggests that migration is associated with small decreases in the prices of non-tradable goods and services.**

Few studies have examined the impacts of migration on prices in the UK. Using data from 1995 to 2006, Frattini (2008) found that migration led to a decrease in the *growth* of prices of non-tradable goods and services in industries that rely on low-wage labour, such as restaurants. In these sectors, an increase of 1 percentage point in the ratio of foreign-born to UK-born people in the population would lead to a 0.3% reduction in average prices in these sectors. The study found no effect on prices in sectors without a significant concentration of low-wage workers.

Using a similar methodology and data from 1997 to 2012, Frattini (2014) updated the analysis while making distinctions between tradable and non-tradable goods and putting an emphasis on the role of the recession of the late 2000s. He found that migration did not have any significant effect on the prices of non-tradable goods and services for that entire period. However, migration slowed price growth for the pre-recession period (1997–2007). For this period, the estimates suggested that a 1 percentage point increase in the foreign-born to UK-born population ratio led to a 0.15% decrease in the average prices of non-tradable goods and services. These price decreases were driven by (and larger in) sectors relying on low-wage workers. The study identified four particular industries with statistically significant price effects: floor/wall covering (within the construction industry), take-away food, washing/dry cleaning and hairdressing.

The study found no effect of migration on the prices of non-tradable goods and services for the post-recession period (2008–12) and no effect on the prices of tradable goods.

**Research on the impacts of migration on housing costs has not reached a firm conclusion.**

Migration also contributes to demand for housing. An analysis by Migration Watch UK (2015) looked back at changes in the number of households in the UK between 1990 and 2014. It calculated that the number increased by approximately four million over the period, and that 53% of the increase was explained by households headed by someone born outside of the UK. The study estimated migration's contribution to household formation to be 65% in the more recent period between 1997 and 2014.

In 2015 in the UK, 40% of foreign-born people were home-owners, 42% were in private rented accommodation and 18% were in social housing (see Table 3). Compared with UK-born people, migrants are less likely to be home-owners, more likely to be renters and equally likely to be in social housing. However, those who have been longer in the UK tend to live in similar types of accommodation as UK-born people.

## Table 3: Housing distribution by place of birth, 2015

| Housing | UK born | Foreign born | Old EU born | Accession country born | Non-EU born |
|---|---|---|---|---|---|
| Home-owner | 68% | 40% | 45% | 23% | 44% |
| In private rented housing | 16% | 42% | 42% | 62% | 35% |
| In social housing | 16% | 18% | 14% | 15% | 20% |
| Total | 100% | 100% | 100% | 100% | 100% |

Note: Only includes those aged 16–64. Numbers may not sum to totals due to rounding.

Source: 2015 Labour Force Survey, quarter 1 to quarter 4

Given that the supply of housing in the UK has increased more slowly than demand (Barker, 2004), migration may be expected to increase housing costs. The determinants of the costs of housing are complex, however, and establishing the contribution of migration is therefore a difficult analytical exercise. Costs of housing take different forms – notably house prices, the private rental market and (low-cost) social housing – affecting different groups in different ways, depending on the type of housing they are most likely to occupy. In addition to demographic factors affecting the number of households (such as population growth and average family size), demand also depends on factors such as income growth and the availability of mortgage credit (Belfield *et al.*, 2015).

Evidence on the impacts of migration on house prices in the UK remains inconclusive. Some studies have addressed this question by comparing house prices in areas with lower and higher levels of migration. They found, counterintuitively, that migration to a local area led to a *decrease* in house prices. Using data from 2003 to 2010 for England and Wales, Sá (2014) found that a 1% increase in the stock of the foreign-born relative to the local population led to a decrease of 1.7% in house prices. A similar result emerged from a study by Braakmann (2013), who also found that price decreases took place primarily at the bottom of the distribution (i.e. in less expensive housing). The latter study suggested that both out-migration of UK-born people and denser occupation of existing housing contributed to the local-level price decreases.

However, these results are explained in part by the out-migration of UK-born people from areas with increasing in-migration, particularly at the top of the wage distribution. The Migration Advisory Committee (2014) has argued that while migration may be associated with house price decreases at the local level, out-migration of UK nationals to other areas could mean that migration increases house prices, on average, across the UK as a whole.

Recent migrants are particularly likely to be in private rented housing (see Table 4). As a result, migration may be expected to affect prices in the private rental market more. In practice, the research to date provides limited insight into the magnitude of any effect (for a discussion, see House of Lords, 2008a, 2008b; Migration Advisory Committee, 2014).

**Table 4: Housing distribution by time in the UK, 2015**

| | Time in the UK | | | |
|---|---|---|---|---|
| Housing | 0–5 years | 6–10 years | 11–20 years | Over 20 years |
| Home-owner | 11% | 30% | 45% | 69% |
| In private rented housing | 79% | 52% | 31% | 13% |
| In social housing | 10% | 18% | 24% | 18% |
| Total | 100% | 100% | 100% | 100% |

Note: Only includes those aged 16–64.

Source: 2015 Labour Force Survey, quarter 1 to quarter 4

### Migrants contribute to the demand for social housing, although the declining stock of social housing has been a larger factor driving access to these units.

Foreign-born and UK-born people have similar levels of participation in social housing. On average, about 18% of foreign-born and 16% of UK-born people lived in social housing in 2015. In the same year, only 10% of recent migrants were in social housing (see Table 4). The likelihood of migrants in the UK being in social housing increases with time up to a point and then it decreases (i.e. it has a hump-shaped pattern). The Centre for Economic Performance (2010) has estimated that the probability of migrants using social housing benefits increases by 0.08% per year in the UK.

The implications of this for UK-born households are complex. There have been claims in the popular press that migrants often receive priority status in the allocation of social housing. Several studies have failed to find evidence supporting this claim (e.g. Rutter and Latorre, 2009; Robinson, 2010; Battiston *et al.*, 2014). However, some migrant groups are more likely to have the characteristics required to gain priority for social housing and this is one of the reasons for the claim that migrants often receive priority status. After controlling for demographic characteristics, migrants are less likely to live in social housing (Migration Advisory Committee, 2014).

Perhaps most importantly, the stock of social housing has been declining. Battiston *et al.* (2014) found that the probability of a UK-born household living in social housing has declined, and that about two-thirds of the decline comes from the reduction in the stock of social housing and one-third from the higher number of migrants and changes in the allocation rules.

### Similar to studies on the impacts of migration on earnings or the labour market, studies of the effects on prices have limitations.

Studies on the impacts of migration on prices face similar methodological challenges and limitations as studies examining the impacts on earnings or employment. For example, a key difficulty in analysing the impacts of migration on prices is that migrants may be more attracted to areas with lower (or higher) price growth. Therefore, it is not clear whether migrants are having a negative (or positive) impact on price growth or simply responding to those same dynamics. In order to solve this problem, studies assume that the location choices of particular migrant groups in the past (e.g. at the time of the 1991 Census) are a good predictor of their future location choices (e.g. in the current period). In practice, this assumption may be valid for some migrant groups but not others.

In addition, it is possible that some studies do not identify localised impacts on prices. Examining house prices, Sá (2014) found that regional-level analysis failed to identify impacts that emerged from local-level analysis. The main study investigating the impact on consumer prices (Frattini, 2014) did so at the regional level rather than the local level,[3] due to data availability, which may have led to less precise estimates and may have masked local variations.

**Implications for the study of poverty: migration appears to reduce the cost of some goods and services, resulting in more affordable prices for low-income, UK-born people. The impacts appear to be relatively small, although they may not have been measured precisely.**

The negative impact of migration on the prices of non-tradable goods and services means that UK-born people can consume these goods and services at a lower price because of the presence of migrant workers. The impacts measured in the research to date are small, however. Findings from the limited number of studies looking at housing are surprising given the strong theoretical expectation that increased demand for housing (combined with low growth in the number of housing units) will increase housing costs over the long term. But it is possible that larger effects on prices (both positive and negative, depending on the items in question) have not been identified using currently available data and methods. Some uncertainty about the true impacts therefore remains.

# Public services

In the UK, public services refer to a wide and complex range of government-funded services and institutions, including health, education, social and adult care, and transport (Migration Advisory Committee, 2012). These services affect the risk of poverty in rather varied ways. A full review is beyond the scope of this report and has been conducted elsewhere (Joseph Rowntree Foundation, 2014). Here, the discussion focuses on key services that are likely to have an effect on poverty and for which most evidence is available: health, education and social care.

**Migrants increase demand for public services depending on their characteristics (e.g. age), how they use these services and their overall share in the population. They also contribute to producing many kinds of public services.**

Demand for public services depends on the size of the population consuming these services and on how intensively consumers use them. As a result, the impacts of migration on the demand for public services depend on the number of migrants and whether they put more or fewer demands on the services than UK residents. The impacts on the quality and availability of services for the population as a whole will also depend on how service providers respond to the additional demand (e.g. whether particular services can be expanded or adapted at relatively low cost).

Many migrants work in the public sector or for public sector contractors in fields such as social care and so they also contribute to the supply of public services. The overall impacts of migration on public services are therefore an empirical question. In practice, however, the effects have been extremely difficult to measure with any precision and researchers must make important assumptions in order to produce quantitative estimates.

**Existing studies have found that migrants are unlikely to be a disproportionate burden on UK public services based on their demographic characteristics, although they use some services more than others.**

Data on the nationality or country of birth of people who use public services, the intensity with which they use them and the extent to which they rely on private alternatives (such as private schools and health care) is in many cases not available. As a result, recent studies have started with the assumption that migrants and non-migrants with similar characteristics use public services in the same way. These studies have assessed likely differences in consumption by taking into account migrants' share in the population, combined with expectations about their behavioural patterns resulting from characteristics such as age, education, occupation or fertility.

In particular, migrants in the UK are younger than the average UK population. As a result, they are expected to make less use of adult social care but greater use of schools and maternity services. For example, just over one-quarter of live births in England and Wales in 2013 were to a mother born outside of the UK (Office for National Statistics, 2014b). In schools, the share of pupils who were 'known or believed' to have a first language other than English in January 2014 was 19% for state-funded primary pupils and 14% for secondary school pupils (Department for Education, 2015). In London, the figures were 48% and 38% respectively.

A series of attempts to quantify the impacts of migration on UK public services estimated that migrants should consume less than the average population, mostly because they are of working age (Glover *et al.*, 2001; Gott and Johnston, 2002; Sriskandarajah *et al.*, 2005; Rolfe and Metcalf, 2009; Migration Advisory Committee, 2010; Dustmann and Frattini, 2014). Due to extensive data limitations, however, these findings are generally considered problematic (Migration Advisory Committee, 2010). The most recent and complete evidence comes from a series of studies commissioned by the Migration Advisory Committee (2012). These studies reviewed the available evidence and where possible contributed their own analyses.

George *et al.* (2011) estimated the cost of providing services to migrant populations in three major areas: education, health and personal social care. The estimates assumed that migrants' consumption can be predicted based on their demographic characteristics such age and gender. Under these assumptions, the study found that expenditure in 2009/10 in the three areas combined would have been approximately £194 lower per head for foreign-born people than among the UK-born population (see Table 5). Estimated expenditure was lower for health and personal social services because migrants tend to be younger than the rest of the population, but it was higher for education services because they are more likely to have dependent children.

Per-capita expenditure was expected to be lower for recent migrants and for non-EEA migrants arriving in the UK for work (including those arriving in the 'Tier 1' and 'Tier 2' visa categories),[4] since they are relatively young, healthy, have high employment rates and tend to work in professional jobs with high incomes. Estimated expenditure also varied by region, with non-EEA migrants' consumption estimated to be lowest in the South East, compared with London and Scotland. Because of the methodology used, consumption of public services for migrants strongly reflected their share in the population. In 2009/10, expenditure on services attributed to migrants accounted for 12.5% of total government expenditure.

**Table 5: Estimated total expenditure by migration status and selected regions, 2009/10 prices**

| Expenditure by migration status, 2009/10 | Expenditure | | | | Population |
|---|---|---|---|---|---|
| | £ million | £ per head | £ per adult | % of UK expenditure | % of UK population |
| UK | | | | | |
| Whole population | 223,192 | 3,662 | 5,173 | 100 | 100 |
| Non-migrants | 195,398 | 3,708 | 5,147 | 87.5 | 87 |
| All migrants | 27,793 | 3,514 | 5,374 | 12.5 | 13 |
| Migrant in the past 10 years | 9,736 | 3,000 | 4,308 | 4.4 | 5.3 |
| Migrant in the past 5 years | 4,458 | 2,751 | 3,628 | 2 | 2.7 |
| Non-EEA economic migrant (wide definition) | 1,512 | 2,878 | 3,992 | 0.7 | 0.9 |
| Non-EEA economic migrant (narrow definition) | 1,093 | 3,026 | 4,274 | 0.5 | 0.6 |
| Tier 1 or 2 (wide definition) | 824 | 2,852 | 3,954 | 0.4 | 0.5 |
| Tier 1 or 2 (narrow definition) | 751 | 3,006 | 4,337 | 0.3 | 0.4 |
| Tier 4 (wide definition) | 453 | 2,571 | 3,044 | 0.2 | 0.3 |
| Tier 4 (narrow definition) | 307 | 2,386 | 2,626 | 0.1 | 0.2 |

Note: Estimates are based on the Annual Population Survey, January to December 2009. The definitions of Tier 1 and Tier 2 migrants are 'wide' if they include those migrants with partners from whom they could have derived the right to work in the UK.

Source: George *et al.* (2011, Tables 4.7 and 4.8)

Of course, the cost of providing services is not the only relevant variable. In the context of pressure on public budgets, additional funds may not be made available to service providers even if, in theory,

migrants' tax contributions are sufficient to cover the cost of the services and benefits they receive (as discussed in the next chapter). In such cases, we might expect to see changes in the quality or availability of services, rather than the budget for providing them.

Any effects on quality and availability will be specific to the services in question, and in practice have been extremely difficult to assess systematically. In the case of schools, for example, local authorities have a duty to ensure that there are sufficient school places available for the number of pupils, and to undertake detailed planning exercises with this in mind (Education Funding Agency, 2014). They must also meet legal limits on class size. However, rising demand combined with tight budgets may create pressures on the school system. In a report on school place provision, the National Audit Office (2013, pp. 19–21) noted that one-third of local authorities reported that rising demand had a 'significant impact' on average journey times to school and just over half reported that it reduced the share of children offered their first choice of school. It also reported an increase in the number of schools breaching the legal class-size limits, from 1.2% in 2007 to 2.7% in 2012.

That said, it is unclear whether these pressures feed through into the main indicator of the quality of schooling – educational attainment. Some studies have found that schools with a larger proportion of pupils with English as an Additional Language (EAL) – the most widely available metric for migrant status, albeit one that also includes many children born in the UK – do not have lower student achievement after controlling for levels of disadvantage (Department for Education and Skills, 1999; Wyness, 2011).

**The impacts of migrants' specific patterns of use of public services have been much harder to quantify.**

The analysis described above is not able to take into account the impacts of any differences in the ways that migrants use public services, because of the lack of direct data on public service use. However, qualitative research has identified several ways in which migrants may use services more or less intensively than the UK-born population. Methods vary widely, though, and the difficulty of quantifying effects has resulted at times in inconclusive or inconsistent findings.

In health care, for example, studies tend to agree that migrants are less likely to register at a GP practice, but there has been some debate as to whether this results in inappropriate use of emergency services (Zaronaite and Tirzite, 2006; Audit Commission, 2007; Scullion and Morris, 2009; Collins *et al.*, 2010; Scottish Parliament Equal Opportunities Committee, 2010). The costs of providing translation services have also been difficult to quantify systematically.

With regard to personal social services, the limited evidence suggests that economic migrants have low levels of awareness of and low levels of use of these services, most likely due to their younger average age and high employment rates (Orchard *et al.*, 2007; Kofman *et al.*, 2009; Khan and Flak, 2010). As migrants age, however, demand for these services may increase, depending on settlement and emigration.

In relation to education, studies have identified various pressures that migration may create for schools beyond the increase in pupil numbers. These include the provision of language support to children with English as an Additional Language (EAL), as well as financial and administrative pressures resulting from children joining in the middle of the school year (Audit Commission, 2007; Gordon *et al.*, 2007; Rolfe and Metcalf, 2009; Sargeant *et al.*, 2009; Simpson *et al.*, 2010; von Ahn *et al.*, 2010). These effects are likely to vary by migrant group, depending on factors such as:

- whether families have migrated from English-speaking countries
- the education level of the parents
- the age of the child at arrival (since younger children tend to adjust more quickly to a new language).

The implications of these factors for the quality and cost of education remain uncertain.

**Migrants contribute to the provision of certain public services, particularly health and social care. However, the impacts of the migrant workforce on the cost and quality of services are very difficult to quantify.**

Migrants are more likely to work in the private sector than the public sector, relative to the UK-born population (Dustmann and Frattini, 2011). However, they are overrepresented in the health sector. In 2012, 35% of medical and dental practitioners were foreign born, as well as 22% of nurses (Sumption and Young, 2014). Migrants are also overrepresented in social care (in occupations such as social workers and home care assistants), which is publicly funded but privately provided (Moriarty *et al.*, 2008). Between 2009 and 2013, substantial budget cuts were accompanied by a 21% reduction in the non-National Health Service (NHS) health and social care workforce (Cribb *et al.*, 2014a). Enormous pressures on local authority commissioning budgets are often cited as a major factor driving a low-cost, low-wage business model in the sector (Pennycook, 2013). As a result, pay and conditions in social care are thought to have made it difficult to recruit and retain workers (Migration Advisory Committee, 2014).

In practice, it has been difficult to quantify the impacts of the migrant workforce for people who rely on health and social services, or other public services. A series of methodological and conceptual questions arises. These questions include whether service providers would have hired UK workers if migrant workers were not available, as well as whether they would need to raise wages to attract more UK workers to public sector occupations and at what cost (Cribb *et al.*, 2014b). Quantifying the impacts would also require assumptions about what the cost would have been to train and integrate UK workers into the workplace (Migration Advisory Committee, 2012), and how this would affect the quality of services. In the case of social care, for example, it is possible that while migration has helped to sustain a low-cost operating model, in the long run the UK might achieve higher-quality social care by investing in a more skilled, better-paid workforce.

**Research on public services and migration faces data constraints. There are also significant knowledge gaps when it comes to local variations in impacts, as well as the implications of public service providers' responses to migration.**

In addition to the data deficiencies described above, there are several difficulties in creating a full empirical picture of migrants' impacts on public services. Many public services in the UK are delivered at the local level and the funding available for them has traditionally depended on factors such as population density, population growth and other adjustments that draw on available statistics. Data limitations and difficulties in measuring small, local-area populations in between Censuses, however, may decrease councils' ability to respond swiftly and efficiently to sudden shifts or increases in demand for certain services.

It is hard to quantify the extent to which this has affected the use, costs and quality of services in practice; however, it is likely to vary across local areas. Furthermore, migrants are concentrated in particular areas, which are likely to experience a greater share of the impacts. According to the Migration Advisory Committee (2014), three-quarters of the rise in the non-UK-born population between 2001 and 2011 happened in just one-quarter of local authorities.

Some councils also have tighter budgets than others. Moreover, funding formulae for local public services differ by service, and their responsiveness to population growth or to the intensity of need is also likely to vary. In health care, for example, the National Audit Office (2014) found that primary care trusts with the largest increases in population (whether driven by new international migration or other components of population change) saw declines in funding per person relative to those in other areas, based on data for 2011–12. Subsequent policy changes sought to mitigate this risk for clinical commissioning groups in 2014–15 (National Audit Office, 2014). In the education sector, funding formulae are also designed to reflect local need, although the design of the allocation mechanism has been in flux (Jarrett and Roberts, 2015). Meanwhile, recent changes to the system for allocating central funding to local authorities mean that, in the coming years, funding will not respond to local differences in population growth in the way it has done in the past, leading to larger per-capita cuts in high-growth areas (Innes and Tetlow, 2015).

Councils and local service providers may also respond to demographic and budget pressures in different ways, resulting in different effects on the quality or scope of services. For example, if migrants create additional costs or allow savings, this may encourage councils to redistribute funds between services or,

alternatively, to increase/decrease the scope of services that they provide within a given budget. Existing estimates focus on average national impacts; they do not capture any such local variations.

Finally, the available studies have used retrospective data and examined a 'snapshot' of public service users at any given point in time. As a result, they will have estimated the costs and implications of provision to the current foreign-born population, but provided less insight into the impacts of future migration (or indeed of future migration with and without any proposed policy changes). This has also been a challenge for studies of the fiscal impact of migration, discussed in the next section.

**Implications for the study of poverty: more research and better data are needed to fully understand how migration affects public services. Existing evidence suggests that the impacts are likely to be small overall, but there could be more significant local impacts.**

Overall, across the UK as a whole and across a range of different public services, migrants' demographic characteristics mean that they are likely to draw on public services no more than the UK-born population. They should therefore have a limited impact on the risk of poverty for existing UK residents. In practice, however, the impacts will vary across services, with some likely to see more intense use and some much lighter use. The implications of migration for public services in high-migration local authorities, and the importance of 'migrant-specific' factors that increase or decrease costs (such as language), are not sufficiently understood to draw definitive conclusions on this issue.

# Public finances and the fiscal costs or benefits of migration

The costs of providing public services to migrant populations are closely related to the broader question of the fiscal impacts of migration overall. If migrants make sufficient contributions to public finances through the taxes they pay, this should – in theory – allow government to finance the expansion of public services and other government programmes while maintaining the quality and availability of services provided to the rest of the population. This section looks at the net fiscal impact of migration, defined as the difference between the costs imposed by migrants on public finances and their taxes and other public finance contributions.

**Estimating the net fiscal impacts of migrants in the UK is a challenge due to data limitations, the complexity of public finances and the large number of assumptions that researchers must make.**

Estimating the net fiscal impacts of migrants in the UK is a challenging task because of the large number of factors involved. Among other important factors, estimates must take account of migrants' characteristics such as:

- skill level
- age distribution
- family composition
- health status
- fertility patterns
- the temporary versus permanent nature of their migration.

Among these characteristics, the skill level of migrants (and its correlation with the other characteristics) is likely to be one of the main determinants of their fiscal impacts in the short run. High-skilled migrants working in highly paid jobs can be expected to pay more taxes than low-skilled migrants in low-waged jobs. At the same time, participation in welfare programmes tends to decrease with increasing skill level, that is, higher-skilled migrants are less likely to be eligible for means-tested welfare benefits than low-skilled migrants.

**The fiscal impacts of migration vary depending on how they are measured. Overall, the impact in the UK is less than 1% of Gross Domestic Product.**

Attempts at evaluating the fiscal impacts of migration in the UK started in the early 2000s with a Home Office report (Gott and Johnston, 2002). Like most studies on this topic in the UK, the report analysed a snapshot of the fiscal contributions and costs of the migrant population during a given period – in this case, the fiscal year 1999–2000. Defining migrants as foreign-born residents, the study found that the fiscal impacts of migration in the UK were small and differed by migrant group (e.g. EEA migrants versus non-EEA migrants, recent migrants versus all migrants).

The study found that foreign-born people in the UK contributed £31.2 billion in taxes and used benefits and state services valued at £28.8 billion. Therefore, the estimated net fiscal contribution of migrants for that year was approximately +£2.4 billion. Sriskandarajah *et al.* (2005) expanded this analysis to cover five years of data and found that revenues from migrants grew by 22% from fiscal year 1999–2000 to fiscal year 2003–4 (reaching £41.2 billion). At the same time, the expenditure associated with migrants reached £41.6 billion in the fiscal year 2003–4. Therefore, the net contribution in the fiscal year 2003–4 was negative at -£0.4 billion.

A limitation to this method, however, is that by focusing on migrants only, it does not compare the net fiscal contribution of UK-born people with that of migrants. In simple terms, even if migrants' input is less than the cost of services received, this may also be true for UK-born people if the UK is running a budget deficit (which it was in 2003–4). The gap between contributions and costs for migrants may, in practice, be smaller compared with the UK-born population.

Sriskandarajah *et al.* (2005) argued that a better and more relevant measure is the ratio of migrants' contributions to migrants' consumption of public services. They found that, in 2003–4, migrants were associated with a net negative fiscal impact of -£0.4 billion but that this impact was 'less negative' than that of UK-born people.

A study by Rowthorn (2008) adopted a slightly different approach. It considered what the migrant contribution would be with a balanced budget and adjusted for a number of other factors, including:

- costs for asylum support
- costs for ethnic relations support
- additional medical costs
- a correction for the inclusion of defence spending (a public good whose scale is largely unaffected by migrant in-flow).

The study concluded that the actual net contribution of migrants in 2003–4 was small but positive at about +£0.6 billion (Rowthorn, 2008).

Some studies have assigned the cost of services for children born to a migrant and a UK-born parent to the UK-born group, a choice that was challenged by Migration Watch UK (2006), which argued towards splitting this spending in equal parts between the UK-born and foreign-born groups. By making this change, its estimates suggested that the net fiscal impact of migrants is negative (the estimates were -£1 billion for 1999–2000 and -£5 billion for 2003–4). Alternative calculations allocating all children of mixed couples to the migrant group showed the fiscal burden of migrants to be much higher (around -£3.8 billion in 1999–2000). Rowthorn (2008) adjusted estimates to address this point. Table 6 provides a summary of the findings for the UK.

**Impacts vary by migrant group, with more positive contributions estimated from recent and EEA migrants.**

*EEA versus non-EEA migrants:* Recent research by Dustmann and Frattini (2014) found that the net fiscal impact of European migrants is more likely to be positive, while that of non-European migrants is more likely to be negative. The authors estimated that during the years 1995–2011 the total fiscal impact of EEA migrants in the UK was about +£4.4 billion (an annual average of close to +£0.3 billion per year). The total fiscal impact of non-EEA migrants for this period was estimated at -£118 billion (an annual average of close to -£6.9 billion per year). The UK-born population during the same period had a net fiscal cost of -£591 billion.

*Recent migrants:* Dustmann and Frattini (2014) also found that recent migrants (those who had arrived since 2000) made more positive fiscal contributions than longer-established migrants. Their estimations showed net fiscal impacts of +£5 billion for recent migrants from the ten countries that joined the EU in 2004 (A10 countries) and +£15.3 billion for other recent EEA migrants. Recent non-EEA migrants had an estimated positive impact of +£5.2 billion. The study found that while EU accession (A10) migrants worked mostly in lower-wage occupations, they also had high employment rates, offsetting the impact of their lower wages.

**Table 6: Comparison of different estimates of the fiscal effects of immigration (£ billion, 2011 equivalent)**

| Study | Years | Other groupings | All migrants | EEA | Non-EEA | Recent EEA | Recent non-EEA |
|---|---|---|---|---|---|---|---|
| Gott and Johnston (2002) | 1999–2000 | | +2.5 | | | | |
| Sriskandarajah *et al.* (2005) | 1999–2000 | | +1.9 | | | | |
| | 2000–1 | | +1.7 | | | | |
| | 2001–2 | | +1.8 | | | | |
| | 2002–3 | | -0.1 | | | | |
| | 2003–4 | | -0.4 | | | | |
| Migration Watch UK (2006) | 1999–2000 | Children split | -1 | | | | |
| | | Children to migrants | -3.8 | | | | |
| | 2003–4 | Children split | -5 | | | | |
| Rowthorn (2008) | 2003–4 | | +0.6 | | | | |
| Dustmann and Frattini (2014) | 1995–2011 | | | +4.4 | -118 | | +5.2 |
| | 2001–11 | A10 | | | | +4.9 | |
| | | Rest of EEA | | | | +15.3 | |
| Migration Watch UK (2014) | 1995–2011 | | | -14 | -134.9 | | |
| | 2001–11 | | | -13 | -116.8 | -0.3 | -27.2 |
| Rowthorn (2014) | 2001–11 | | | | | -0.3 | -29.7 |

Notes:

EEA = European Economic Area. A10 = the ten countries that joined the EU in 2004: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Values correspond to the baseline figures as they appear in the original reports and have not been adjusted over time; see original sources for a full discussion of differences in methodology and assumptions.

Migration Watch UK (2014) criticised the assumptions of Dustmann and Frattini (2014). The criticism covered many factors, but overall it was that the authors had overstated the revenues that the government obtains from migrants and underestimated the cost of public service provision to migrants. Migration Watch UK's new estimates found that all four groups (EEA, non-EEA, recent EEA and recent non-EEA) had negative fiscal impacts during the same (1995–2011) period. Nonetheless, its findings

were consistent with the Dustmann and Frattini (2014) estimates that non-recent migrants and non-EEA migrants had more negative impacts than recent migrants and EEA migrants.

Although most studies on the impacts of migration on UK employment have not found significant effects, as described earlier, Rowthorn (2014) noted that if migrant workers do displace British workers (e.g. during periods of recession), the fiscal impacts of migration would be more negative than the studies discussed in the previous paragraph would suggest.

Arguments exist in favour and against each of the various assumptions that these studies make, and it is difficult to point to a single 'correct' methodology for making such calculations.

### There is no direct evidence that migrants go to the UK because of the availability of benefits, and such evidence would be hard to gather.

Discussions about migrants' access to welfare benefits have played a prominent role in recent public debates, with David Cameron arguing in 2014 that benefits provided a 'magnetic pull' for migrants to go to the UK (BBC, 2014). While it is difficult to know how the availability of benefits – such as unemployment benefits or in-work tax credits – affect prospective migrants' decision-making in practice, the total numbers of migrant benefits recipients are relatively small.

Migrants are underrepresented among recipients of out-of-work benefits such as Jobseeker's Allowance, in part because they have high employment rates. Many migrants also work in low-wage jobs, however, and as a result they are overrepresented among people receiving tax credits designed to supplement the incomes of low-wage workers (Sumption and Allen, 2015).

Because most non-EU citizens are initially ineligible for benefits, benefits are unlikely to be a meaningful draw for significant numbers within this group. EU citizens can access benefits more quickly, but the majority are working so out-of-work benefits are unlikely to be a draw for them either (e.g. the unemployment rate among EEA nationals was 5.2% in the last three months of 2014, according to the authors' analysis of the Labour Force Survey). In-work benefits are immediately available to workers from elsewhere in the EU, as long as free movement remains in place. Some analysts have argued that the financial incentive to migrate would therefore decrease if these benefits were restricted (Open Europe, 2014). In practice, however, it is unclear how significant the effects of such a policy would be on the number of people choosing to migrate. Only a small share (between 10% and 20%) of EU migrants were receiving tax credits in 2014 (Sumption and Altorjai, 2016). This suggests that the number of people whose initial migration decision might be affected by the immediate availability of tax credits is a small share of the total. Assuming that EU exit leads to an end to free movement in coming years, this debate will, in any case, become much less relevant because restrictions on access to benefits would be replaced with direct restrictions on migration flows themselves.

### Limitations include incomplete data on migration status in relevant datasets, and difficulties disaggregating impacts by group or accounting for competing impacts.

First, estimates of the impacts of migration on public finances share some of the data and methodological problems with evidence on public service provision. These include the absence of systematic data on tax contributions, benefits received and public services consumed among people of different nationalities or countries of birth. As a result, researchers must make numerous assumptions in order to produce an estimate, and the results can, in some cases, be quite sensitive to these assumptions.

Second, the public finance implications of migration will depend on a large range of impacts that migration has across the economy – and not just on migrants' individual tax contributions and benefits received. For example, if migration affects the employment or earnings of other participants in the UK labour market, this will also affect their tax contributions. While some studies have attempted to factor in these effects (e.g. Rowthorn, 2008), the uncertainty about their magnitude – discussed earlier – makes it difficult to do so with precision.

Finally, aggregate fiscal impact studies tell us relatively little about the implications of specific policies – for example, the cost of providing particular welfare benefits or tax credits to particular groups of migrants.

For example, HM Revenue & Customs has estimated that, in 2013/4, the total cost of providing tax credits to families who had at least one non-UK national adult at the time of registering for a National Insurance number was £5.2 billion, or 17.4% of the total tax credit bill (McInnes, 2014). From a policy perspective, however, this estimate has limitations – particularly the fact that many of the people who fall into the 'non-UK' category will now be naturalised UK citizens, while others will have held permanent residence for many years.

# 4 Policy implications

Designing poverty-reduction strategies that take account of the impacts of migration is a challenge.

First, the evidence itself is often uncertain. Research to date provides a general picture of the impacts of migration, but often lacks fine-grained distinctions that are needed to target policies effectively. Where more detailed disaggregations have been possible, they have often been measured with much less accuracy.

Second, many of the policy 'levers' that government controls within the field of migration policy have only limited power and their impacts can be difficult to predict with accuracy. For example, governments can adjust visa eligibility criteria in ways that influence the number and composition of people arriving in a country, but cannot easily predict in advance the changing numbers and characteristics of eligible people who take up the opportunity to migrate. Meanwhile, migration policy is not the only factor that shapes migration flows. For example, other policies that affect employers' demand for migrant workers, include:

- labour market regulation
- welfare policies
- education and training policies
- housing policies
- macro-economic policies
- trade (Ruhs and Anderson, 2010; Migration Advisory Committee, 2014).

Because these policies affect employers' recruitment practices and the market in which they operate, they should be expected to result in higher or lower demand for certain groups of workers.

The result of both of these factors is that it is hard to 'fine-tune' migration flows with a view to reducing poverty. This chapter considers the options at policy-makers' disposal and what the research evidence suggests about their likely impacts.

## Immigration policy options

Immigration policies are designed to affect the number and composition of people who arrive in a country as well as the terms and conditions of their stay after they arrive. For migrants from outside of the EU, immigration policies can be divided into four main categories – work, study, family unification and humanitarian protection – each of which has quite different eligibility criteria. Depending on the type of visa a person receives, their rights once they arrive also vary. For example, people admitted to the UK as spouses have full work rights and can apply for permanent residence after five years; people admitted as students, by contrast, have more limited work rights and must generally apply for a work or family visa if they want to stay after they graduate.

While governments can and do adjust immigration policies based on judgements about their social and economic impacts, they also face some constraints. This is particularly clear in the case of asylum, where the UK has accepted obligations under UK law to offer humanitarian protection.

Immigration policy-making has also been constrained by EU law, under which EU nationals can arrive to work and settle in the UK with relatively few restrictions. The UK's vote to leave the EU opens up the possibility of direct restrictions on the number or characteristics of EU nationals who can live in the UK. It is too early to know how and when these restrictions might be imposed. There are some scenarios in which free movement could remain in place for some time or even indefinitely (for example, in the event of a greatly prolonged exit negotiation process or if the UK decided to remain in the EEA). Assuming that restrictions on free movement are indeed introduced, there are many ways that such a system could be designed. The common feature of all of them, however, is likely to be a form of selection based on skills or wages. Any selection system requiring EU migrants to have skilled job offers could significantly reduce the scale of EU migration, and shift its composition towards more highly skilled workers.

### Are there immigration policy adjustments that could contribute to reducing poverty?

Because both poverty and migration are complex phenomena, it is exceptionally difficult to identify immigration policy changes whose impacts on poverty could be confidently predicted. A major reason for this is that for each different type of migration, policy changes would likely affect several different dimensions of poverty, for different groups of UK residents at risk of poverty, at different points in the lifecycle of migration.

By way of example, consider the expected impacts of a group such as Eastern European migrants, whose migration may be significantly curtailed as a result of the UK's exit from the EU. This group have high employment rates and are overrepresented in low-skilled work. Based on the available evidence, they might be expected to:

- slightly increase the competition for low-wage jobs, potentially reducing household income in the short term among certain UK groups
- slightly reduce the cost of certain goods, such as food, for low-income households while potentially increasing the cost of housing
- have an uncertain effect on the availability and quality of public services of different kinds
- have a relatively small positive impact on public finances and therefore the ability of the UK to finance poverty-reduction strategies or an expansion of public services.

The potential impacts of this type of migration on poverty would also depend on economic circumstances, such as growth and job creation and the state of public finances. It would also depend on which groups of UK residents we examine. For example, older people who are no longer in the workforce are not affected by any downward pressure on wages, but would benefit from the provision of affordable social care by a migrant workforce. As a result, the impacts on this group may be different from the impacts on people who are working or who rely on different types of services.

Assuming that free movement comes to an end following the completion of an EU exit process, the government will need to decide how much of the supply of labour that previously came from EU countries it should 'replace' – that is, whether to develop low-skilled and middle-skilled work permit programmes that do not currently exist in the UK, and how extensive such programmes should be (Migration Observatory, 2016b). Because of the complexity of the impacts described, there is no obvious 'optimal' way to design such a scheme, which may aim to balance different goals, such as:

- reducing the scale of migration into low-wage jobs
- mitigating the impacts of the end of free movement on employers that have become particularly reliant on EU workers
- reducing disruption in the workforce available to provide public services (e.g. social care and nursing) and/or
- reducing employers' incentives to turn to unauthorised employment.

For some types of migration, the impacts on people at risk of poverty are likely to be broadly beneficial across several of the areas discussed. In particular, highly skilled non-EU labour migration:

- is concentrated in skilled occupations and therefore less likely to affect low-income families
- contributes to the provision of certain public services, such as the NHS, while imposing relatively low burdens on these services as consumers (Migration Advisory Committee, 2010)
- makes a positive contribution to the UK's fiscal balance.

A different set of considerations arises in the case of family migration. Because family migrants are not selected for their skills, a larger share are likely not to be working or to be working in low-skilled jobs compared with non-EU labour migrants (Cangiano, 2012).[5] As a result, this group is likely to have a more negative fiscal impact than other migrant groups (as measured by direct tax contributions versus use of services or benefits), although they are also overrepresented in the social care workforce, potentially reducing the cost of these services or benefiting groups to whom these services are important.

A recent policy has aimed to reduce the numbers of family migrants and the likelihood that they will draw on welfare funds by requiring partners to have an income threshold of £18,600 to sponsor their spouse to come to the UK (or more if they are also sponsoring a child). The broader impacts of this policy on the incidence of poverty are likely to be complex and thus difficult to predict with any confidence. For example, the policy may increase the risk of poverty for UK residents who are unable to bring their spouse to the country, preventing the spouse from providing a second income or contributing to child care. (A majority – 58% – of non-EU family migrants in the UK were employed in 2013, according to Home Office analysis (Cooper *et al.*, 2014), although we do not know what this figure would be for the subset of family migrants whose spouses are below the income threshold.) And, needless to say, economic considerations such as these are by no means the only objectives of family migration policy.

As a result, there are no 'clear wins' for poverty-reduction strategies within the field of migration. Of course, migration generates enormous benefits for migrants themselves, reducing the risk of poverty for individual migrants and their families – although these benefits are generally not factored into discussions of poverty and wellbeing in destination countries.

# Options outside of immigration policy

If immigration policy itself has limitations, to what extent might other areas of policy influence the impacts of migration on poverty?

### Work and the labour market

A host of policies designed to improve the earning potential of those at risk of poverty exist and have been widely debated, including those related to education and training, the national minimum wage, tax policies such as in-work benefits, and welfare reforms. These policies are generally seen as more powerful factors affecting people at risk of poverty than migration policies.

However, it is worth noting that migration may interact with some of these policies in complex ways. In particular, several of them are designed to encourage people to seek work (e.g. active labour market policies) or to make them more attractive to prospective employers (e.g. apprenticeship policies). As discussed earlier, qualitative research suggests that some employers prefer migrant workers for low-wage jobs, for reasons that include their 'hard' and 'soft' skills,[6] work ethic and a willingness to accept irregular hours or difficult working conditions.

If the empirical literature is correct in finding that migration leads to only small impacts on earnings for low-wage UK residents and no change in employment outside of economic crises, it should also follow that the presence of this potentially more attractive workforce is not primarily responsible for poor labour market outcomes among certain groups of UK residents. However, the research findings raise the question as to why demand for migrant workers is particularly high in certain occupations, and whether policy interventions could or should address the structural factors that inhibit supply and demand for low-skilled UK workers in these jobs.

Reviewing the evidence across a range of sectors, the Migration Advisory Committee (2014) pointed to a range of structural and policy factors of this kind. These included the following:

- **Education and training policies.** In construction, for example, reliance on temporary labour and contractors, coupled with the lack of quality vocational education in the field, has made UK workers relatively less competitive for skilled positions.
- **Underinvestment in certain public sector occupations.** Pressure on local authority budgets has created an extremely competitive marketplace among social care providers, for example, encouraging the growth of low-wage and flexible jobs that are less likely to be attractive to UK workers.
- **Housing and welfare policies.** Migrants are more likely than the resident population to move within the UK and to commute long distances for work. The fact that social housing entitlements are not portable, meanwhile, may reduce the number of low-wage UK workers who are willing to move for work. Similarly, UK workers told researchers that the risk of losing benefits prevented them from accepting part-time work.

- **Labour market regulations.** The flexibility of the UK labour market, declining levels of collective bargaining, and resources for enforcing the national minimum wage and other regulations have facilitated demand for a flexible migrant labour force (Ruhs and Anderson, 2010). Competitive market pressures have also encouraged the use of low- and zero-hours contracts in sectors such as retail, making jobs less attractive to those seeking full-time work (Warwick Institute for Employment Research, 2014).

Policies on labour market regulation, education, welfare and the structure of public sector service provision are, of course, part of much larger debates about public policy in the UK. Policy shifts in these areas could have a fundamental influence on the impacts of migration in the UK. For example, it is possible that stricter labour market regulation or higher minimum wages would encourage employers to redesign the structure of tasks to make workers more productive and/or the hours or conditions of work more attractive. It is instructive, after all, that not all jobs that are associated with low wages in the UK are low-paid in other European countries (Mayhew and Holmes, no date). Of course, such policies would also have trade-offs that may include higher hurdles for disadvantaged jobseekers to enter work.

Finally, migration has implications for the enforcement of existing rules such as the national minimum wage and discrimination, in order to reduce the risk that growth in the low-wage workforce will facilitate employment law violations. Reviewing the evidence on migration and low-wage work, the Migration Advisory Committee (2014, p. 37) said that it was 'concerned that there is a danger that non-compliance and exploitation are no longer marginal and exceptional issues. Rather, non-compliance and exploitation may now be structural features of the UK's low-wage labour markets'. It also made the case for increased regulation of recruitment agencies in sectors such as construction, cleaning, care and hospitality, to reduce the risk of exploitation in low-wage labour markets.

### Fiscal policy, taxes and benefits

When it comes to designing fiscal and welfare policies towards migrants, it is similarly difficult to make clear predictions about policy reforms that would be likely to reduce poverty in the UK. Recent policy debates have focused on migrants' welfare receipt, and both of the major political parties have proposed restrictions on in-work benefits for migrants in the initial years after arrival.

In theory, limiting expenditure on migrants' benefits could make more resources available for other forms of public expenditure that help to address poverty. However, there is some uncertainty about the size of the savings that such policies would bring and, of course, what these savings would be used for – whether they would actually be used for programmes that would reduce poverty.

Considerable uncertainty also exists as to the secondary effects of policies to reduce the fiscal cost of welfare or service provision for migrants. For example, migrants who have 'no recourse to public funds' may be supported by local councils, who have obligations to help certain destitute people, including children (Price and Spencer, 2014). As a result, restrictions on access to public assistance may simply shift certain costs from central to local government. It is also uncertain whether restricting benefits or access to public services in the short run would lead to costs later in the migration lifecycle by increasing certain types of deprivation (e.g. among the children of migrants).

Finally, migration has implications for the distribution of resources across local areas within the UK, raising the question: What forms of assistance or funding should be in place to support public services in areas with rapidly changing populations? One barrier to fully understanding these dynamics is the fact that data on migration at the local level is much more limited than data at the national level, and does not necessarily capture shifts in the composition of local populations in a timely manner.

# 5 Evidence gaps and future research

This report has identified numerous gaps in the evidence on the impacts of migration that complicate the task of developing poverty-reduction strategies informed by knowledge on migration. Some of these would be difficult to address in the short or medium term, because the data is insufficient.

For example, evidence on how migration has affected public services has improved significantly (in large part due to the Migration Advisory Committee's evidence-gathering exercise on this issue). However, large gaps remain, particularly when it comes to effects that are specific to migrants (e.g. because of limited English language proficiency or lack of familiarity with UK institutions). An important reason for this gap is limited data. In some cases, data is inherently difficult to collect (this includes, for example, information on specific groups such as seasonal and agency workers brought from abroad, who are often not captured in current data sources). However, across all the areas studied, improved statistics on migration would allow more robust answers to policy-relevant questions. For example, larger sample sizes or migrant boosts in government surveys would enable more reliable local-area and sector-specific analyses, as well as a greater depth of detail on the impacts of particular migrant groups.

Confidence in the empirical evidence would also improve if high-quality administrative information was more widely accessible. Many different organisations hold this data, such as HM Revenue & Customs, local authorities, schools and various NHS bodies, and the ease with which it can be accessed and analysed varies. As a first step to improving the accessibility of the data and using it to strengthen the evidence base, a systematic audit of available data on migrant populations from local authorities and service providers would be useful.

Other areas could be addressed by qualitative and quantitative research in the shorter term, using existing methods and data sources. These fall into four main categories.

## Extending existing evidence by examining additional variables and populations

First, existing methodologies for analysing the impacts of migration could usefully be applied to new variables, particularly poverty rates according to a range of different measures. This analysis would also permit researchers to estimate the effects of migration on poverty among the UK-born population, as discussed in this report, as well as on migrants themselves (i.e. migrants' own risk of experiencing poverty). The analysis could also help to shed light on the mechanisms through which migrants might affect the incidence of poverty (such as the labour market or the bottom deciles of housing prices).

Second, it would be useful to deepen existing analysis of the impacts of migration by examining the outcomes of different demographic groups, such as men versus women or young people versus older people. In particular, there has been very little research on the impacts of migration on UK-born minority ethnic groups, raising the question as to whether effects may be different for particular ethnic groups (such as women of Bangladeshi origin, who have low rates of labour market participation). Similarly, it would be helpful to understand how the impacts of migration are distributed within and across households (including impacts on household income), and how impacts vary depending on the characteristics of households, such as care responsibilities or health outcomes. In addition, there is little evidence on variation in the impacts of migration in different places within the UK, such as:

- the devolved administrations
- urban versus rural economies
- geographical areas that rely more heavily versus those that rely less heavily on low-skill intensive industries
- areas with a history of migration versus those without

- local areas with other specific characteristics that may affect the ease with which they adjust to migration.

Third, the impacts of migration on the cost of housing are still not fully understood, leaving a significant gap in our knowledge of how migration shapes the cost of living. A systematic analysis of the impacts of migration on the prices of housing at the national level, under different scenarios in relation to plausible levels of net migration, would be valuable. It would also be beneficial to carry out further analysis of the impacts of migration on the private rental market.

## Understanding the dynamics of low-wage labour markets that rely on migrant workers

The depth of research on migrants' role in low-wage labour markets has increased considerably over the past decade, although it would be useful to understand certain aspects of these markets more fully.

First, it would be useful to examine more closely the impacts of structural features of the UK labour market on the role of migrant labour and employers' demand for it, in order to have a fuller picture of the effects of an expansion in the UK's low-wage labour market. This should include analysis of:

- the role of recruitment agencies in encouraging demand for migrant labour and their influence on the conditions of work for migrants
- any secondary effects on UK workers who work alongside them.

Both qualitative and quantitative analysis of employers that rely heavily on migrant workers would be useful to understand whether low-wage occupations could be 'upskilled' and what the implications would be for people who currently hold these jobs. More broadly, a better understanding of the determinants of exploitation of both migrant and UK workers in low-wage jobs would help to give a better picture of the impacts of migration on quality of life for low-wage workers.

Second, it would be useful to develop a more detailed picture of the effects of migration on poverty among migrants themselves, including the impacts of social assistance and integration policies in the initial years after arrival. These may affect migrant integration outcomes later in their UK residence, and the outcomes of their children.

## Improving the understanding of migration's impacts at the local level and on local public services

It is worth emphasising that the impacts of migration almost certainly vary depending on local circumstances but the evidence on the implications of this fact is still quite incomplete. The profile of international migration differs by region and local authority, with some areas receiving higher shares of EU versus non-EU migrants, high-skilled versus low-skilled migrants, or international students and economic migrants versus family migrants.

A significant gap in the current evidence base is a systematic overview of how funding for public services has responded to migration. This should include:

- the extent to which local government funding formulae reflect additional costs of public services resulting from a larger local population or from migrant-specific factors
- how funds are distributed across different types of public services at the local level in areas with varying levels and types of migration
- whether migration has affected the quality of public services (such as NHS waiting times).

A useful starting point for this work would be a review of the growing evidence base on local government spending and budget pressures, with a focus on the specific impacts of population growth and migration.

Because different places receive different profiles of migrants and have different economic and institutional environments, it is possible that impacts could differ substantially among them. With

continuing debates over devolution and regional governance in the UK, it will be important to develop a more complete evidence base about:

- how the characteristics of migration flows vary by region
- how policies affect different regions and local areas in specific ways
- what the implications of these variations are likely to be for standards of living and wellbeing in the UK.

## Examining policy scenarios

Finally, most of the research on the impacts of migration has looked at the aggregate impacts of migration rather than the likely effects of specific policy changes. This limits the usefulness of much of the research for policy-makers. Qualitative and quantitative analysis of specific policy changes – such as recent changes in eligibility criteria and the potentially very considerable changes to migration policy that are now possible in light of the UK's EU referendum vote – would be useful in informing the policy debate.

# Notes

1 The European Economic Area (EEA) includes the EU member states as well as Iceland, Lichtenstein and Norway. EEA membership allows for the free movement of people, goods, services and capital among member countries.

2 In this data from the Annual Population Survey, the reason for migration is self-reported.

3 That is, using Government Office Regions rather than local authorities.

4 A Tier 1 visa is a work visa for highly skilled people looking to work in the UK. A Tier 2 visa is a work visa for skilled people with a job offer in the UK. A Tier 4 visa is a student visa to study in the UK.

5 In 2013, just under one in three migrants working in low-skilled jobs were non-EU-born workers who reported migrating for family reasons (Migration Advisory Committee, 2014).

6 Hard skills refer to quantifiable, teachable skills or knowledge that can be gained through education and training. Soft skills are not easily quantifiable and include aspects such as leadership and time management skills.

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