

“The Economics of Migration: Introduction”

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Over the past decade, immigration has moved to the centre of the economic and political debate in the UK. Most economists regard immigration as likely to yield economic benefits to the receiving country, and empirical analysis has broadly supported that conclusion in the case of the UK. However, public opinion in the UK, particularly since the large expansion of migration flows after the expansion of the EU in 2004, is considerably less positive. As a consequence, a variety of policy measures have been introduced in the UK in recent years aiming to reduce net migration. Against this background, this Special Issue examines various aspects of the economic and social impacts of migration policy.

The first contribution, by Giovanni Facchini and Elisabetta Lodigiani, and reviews migration policies in developed countries that aim to attract highly skilled migrants. The paper identifies two distinct policy approaches. Employer driven schemes admit immigrants (generally subject to minimum skill requirements) only if they have already received a job offer from an employer in the destination country. This approach is designed to establish, directly or indirectly, that the vacancy cannot be filled by a local worker. The other approach is an immigrant-driven scheme in which a point-based system is generally used to select individuals on the basis of characteristics that make them desirable in the destination country's labour market, both in a long and short term perspective. With this framework in the background, the paper analyses migration policies in traditional immigration countries (Canada, Australia, New Zealand and the United States), and in the European Union, with a focus on the role of the Blue Card. The European countries considered are divided into the ones that, historically, have always been receiving countries (France, the United Kingdom and Germany), two smaller destination countries where immigration has become relevant only over the past decades (Denmark and the Netherlands) and finally two recent immigrant destination countries in Southern Europe (Italy and Spain). Evidence suggests that migrant-driven schemes are successful in increasing the average level of skills among migrants, while evidence for employer-driven schemes are less clear: it shows some successful cases, as in the US in retaining the brightest and best foreign graduates, yet also some important limitations when implemented in some European countries. The implication is that EU countries could benefit from moving to an approach that focuses more on the long-term human capital requirements of the EU and less on short term employer demand.

The second paper, by Katerina Lisenkova, Marcel Mérette and Miguel Sánchez-Martínez uses a computable general equilibrium model to simulate the long-term impact on the UK economy under two different migration scenarios: the first is the ONS' baseline population projections, while the alternative scenario models a reduction in net migration of 50% (broadly in line with the Conservative Party's stated policy of reducing net migration to the “tens of thousands”). While most analyses suggest, unsurprisingly (given the importance of labour related and skilled migration) that the short-term impact of migration is economically and fiscally positive, this exercise sheds light on the long-term impacts: is migration part of the solution to the demographic challenges of an aging population or is that outweighed by the burden on the welfare state and public services? First, results show that by 2060, the modelled decrease of net migration would cause both aggregate and per capita GDP to be significantly lower compared to the ONS scenario. Second, they find a significant negative effect on public finances. In particular, total government spending as a share of

GDP would be higher which would require an increase in the labour income tax rate. Moreover, the tax increase would reduce average household income. The conclusion is that immigration can have a modest positive impact on GDP per capital and the public finances over the very long term as well as the short term.

The third paper is by Yvonne Markaki on immigration attitudes in the UK. It is an empirical investigation on the drivers of anti-immigration attitudes, using as a measure of attitudes data available in the European Social Survey (ESS). Preferences are modelled as functions of regional indicators, like the current economic climate, the supply of skills in the labour market and the composition of population both in terms of ethnicity and country of birth. These variables are measured from the UK Labour Force Survey and matched at the regional level to the ESS for years 2002 to 2010. Overall, results show that natives are less pro-migration if they live in regions with more unskilled unemployed immigrants, implying a correlation between anti-migration attitudes and local labour market conditions. The second result shows that the relative size of pre-existing stocks of immigrants has an important role and its effect is non-monotonic and heterogeneous across ethnic and origin groups. This latest results reconcile with previous studies that found a less clear relationship between immigrants and anti-migration attitudes, depending on the areas.

The last contribution, by Roger White and Nicole Yamasaki investigates the role of cross-societal cultural differences between immigrant source and destination countries as drivers of international migration. They use a dataset with 75 source countries and 6 destination countries for years 1990, 1995 and 2000. The cultural measure is defined as a combination of shared habits, traditions, and collective beliefs of a society as measured in the World Value Surveys data. This paper makes two main contributions to the literature, as cultural differences have not been previously accounted for as determinants of migration stocks and flows. They find that greater source-destination cultural distance inhibits international migration, yet pre-existing migration stocks have larger and more positive effect on migrant flows, by reducing the role of these barriers, if the stock is from a more culturally distant country. Second, it shows that this effect has a different intensity across skill groups: low and medium skilled immigrants are more affected by the cultural distance than high-skilled.

It will come as no surprise to economists that the papers in this issue confirm that market-oriented policies designed to attract skilled migrants are likely to yield economic and social benefits. Moreover, attitudes towards migrants and consequently their success in the hosting society are strongly correlated with immigrants' success in the labour market when cultural differences can play a role in shaping migration. In the UK, while free movement of labour within the European Union remains an important and unrestricted source of migration flows, recent policy changes have made it significantly more difficult for skilled and highly skilled workers, students and family members from outside the EU to migrate. The result, as show by recent research (Rienzo and Vargas-Silva, 2014) has been a reduction in the pool of talent available to business in the UK. The long-term economic consequences are likely to be damaging as the pool of international talents available to businesses in the UK has been reduced.

References

Rienzo, Cinzia and Carlos Vargas-Silva. "Highly Skilled Migration to the UK 2007-2013: Policy Changes, Financial Crises and a Possible 'Balloon Effect'?" Migration Observatory report, COMPAS, University of Oxford, July 2014