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**Before a Potential Brexit:  
European Immigration to the United Kingdom,  
its Relative Benefits and Politico-Economic Implications**

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## **Abstract**

*This background synthesis provides an overview about the current state of research with regard to European migration to the United Kingdom (UK). Public opinion in the country is critical towards immigrants from the European Union (EU), and the issue might be decisive in the forthcoming EU referendum on June 23, 2016 determining a possible exit of the UK from the EU. According to several studies, EU migrant workers are well-educated net contributors to the UK budget and increase economic performance. From 2001 to 2011, recent EU immigrants made 34% more fiscal contributions than they generated costs in welfare, despite a temporal recession. Migration does contribute to shortages in housing and schooling, however this shortage is a consequence of political neglect. EU immigration fills job gaps and fixes skill mismatches, is complementary to British labor, and has not affected wages negatively altogether. If EU labor were to be markedly reduced, this would cause serious labor shortages for some industries. If low-skilled would be kept out regulatorily, this would be despite improving conditions in Southeast Europe keeping more migrants home anyway, as well as an aging British society requiring replacement workers in some industries. After a Brexit, Britain would not likely be able to decrease EU labor movement significantly if it chooses to rejoin the common market because of political precedents and coercions. Moreover, migration policy will have to remain relatively liberal post-Brexit were it not to hurt economic performance. A solution might be a flexible, balanced visa policy adjusted not only to skills needed but also open to those who have a job offer before finding their way to the UK.*

*Keywords: Brexit, EU Referendum, EURef, United Kingdom, Great Britain, UK Migration, Immigration, EUImmigration, Remain, Strongerin, European Union, EU, Brexit Risks, BrexitRisks, Bremain, UK2Stay, BetterIN, INTogether*

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## 1. Introduction

Immigration is a contentious issue in the United Kingdom (UK). In the forefront of the country's EU membership referendum on June 23, 2016, the movement of EU workers to the UK is being denounced as “uncontrolled” and “limitless” by the Leave camp, and this public debate might determine the very outcome of the vote. Some Britons claim that migrants put public services in difficulty, however non-British employees are net contributors to the UK budget and “boost economic growth” (Petroff, 2016; Reuters, 2016) by adding to the workforce in a complementary way.

Non-British EU citizens are allowed to work in the UK on grounds of the principle of 'free movement,' as Boswell (2016a, p.105) points out, stating that they are “entitled to equality in access to employment, wages and social security” after having successfully sought employment in the UK. The authorities do have an amount of control over EU-linked immigration; they can impose a restriction of up to seven years on nationals of new EU member states, for instance. What is more, irregular migration is partially curbed by the fact that the UK is not an adherent of the passport-less 'Schengen zone' and has bilaterally agreed with France to keep asylum seekers “on the other side of the channel” (Staiger, 2016; Boswell, 2016a, p.108). Concisely put, the UK has complete control over its borders and is exempt from a number of EU asylum regulations and common immigration standards, according to Staiger (2016).

Non-EU immigration, for instance that of Commonwealth migrants, amounts to more than half of overall immigration to the UK. The numbers of migrants from newer-accession countries in the East of Europe has in the past years been increasing (Evening Standard, 2016), however net immigration figures are not exceptional compared other EU countries: The influx to Italy, Spain, Germany or France was higher from 2000 to 2014 than that to Britain (Tilford, 2015, p.1).

In this paper, it is argued that immigration has in general been beneficial to the UK, and that over-regulation would be counter-productive. An overview about the current state of research will be given in the form of a background synthesis providing a coherent sum-up of the bundle of studies and documents which have quite recently been issued. In its second half, the paper is to investigate in how far, in view of the current politico-economic conditions in the UK portrayed in the first parts of the paper, limitations are likely to be imposed affecting European immigrants in and to the country in the aftermath of a possible Brexit, as well as the economy.

## **2. Research Assumptions**

We set out from the following preliminary assumptions, after a first lecture of core parts of the literature. As indicated before, public opinion in Great Britain is rather hostile to immigration despite the fact that migrants contribute positively to the public budget. Immigrants to the UK, in fact, do not replace natives, they rather create new jobs, and they do not decrease wages, on the whole. Even so, the government has tried to curb immigration in a number of ways, however with more of a focus on extra-EU immigration.

It must be acknowledged that there are domestic policy challenges, especially in the housing sector, for there is a shortage of affordable living space; a reduction of unskilled EU migration post-Brexit would, however, be disruptive in the short term for some sectors of the economy and hurt business as a whole. Immigration, especially that of skilled workers, remains crucial for achieving economic growth, which government would certainly want to stimulate instead of limit, and because of an aging society. Therefore, it would be preferential if the numbers of immigrants to the UK remained high even after a potential Brexit. However, sensible or not, EU immigration might possibly be constrained in favor of high-skilled immigration as Britain might leave the EU.

### **3. Methodology**

The author harks back to existing primary and secondary scientific studies which use theories of migrational and demographic, economic, political and social sciences, via so-called desk research. Besides, a number of news articles are used. Most of the sources were published very recently. Since it was a question of establishing a synthesis paper, it was unnecessary to conduct separate polling or expert interviews. Literature is discussed not in a single chapter but throughout.

## 4. Politico-Economic Context

### 4.1. Critical Public Opinion in the UK

Many scholars say hostility towards the subject of 'uncontrolled' and 'large-scale' immigration will be decisive in the UK's EU referendum (Tilford, 2015, p.1). At the least, if one is to believe the polls which are quite consistent, immigration and economics are the two main concern for the vote. “The correlation between hostility to immigration and support for Brexit is high” (The Economist, 2016). The question is why. There is a strong disconnect between apprehensions and actuality, “partly due to hostile media coverage” (Irwin, 2015, p.18).

Between 44% (according to Ipsos-Mori) and 71% (according to YouGov and 5 News) of Britons currently want the government to reduce immigration; polls suggest that this is due to the “perceived burden ... on public services” [,] unemployment and wages, as well as cultural concerns (Boswell, 2016a, p.105), with slightly more voters wanting to see stricter rules for non-EU immigrants (Rankine, 2016). 58% think that EU nationals should have a definite job offer before they come to the UK (Daily Express, 2016). Most of them already do (Boswell, 2016a, pp.109-110).

As indicated before, things tend to get mixed up in the debate. For one, many think that Britain cannot control its borders within the EU, though border checks are well in place. Others point to Europe's refugee issue, though the UK “has largely escaped it” because it is not adherent to the Schengen zone where travel without a passport is possible (The Economist, 2016). A major reason for “toxicity” of the immigration rejection is the sharp fall in wages between 2008 and 2014, especially for those in the low-pay sector.

“There is little evidence to suggest that EU immigration as opposed to a deep recession caused this, but in the popular mind there is a causal link between migrants and falling wages” (Tilford, 2015, p.1).

Public policy has failed in recent years to provide for sufficient living space, especially in cities. The country ranks last when it comes to new homes in the EU (Tilford, 2015, p.2). Immigration may have contributed to this phenomenon, however not principally. The foreign workforce in the UK are “7% less likely to live in social housing” (cited by Travis, 2014) than local citizens, according to research by Christian Dustmann of University College London and Tommaso Frattini of the University of Milan.

The fact of the matter is that the white working class, in general, has lost social status, in the past years, writes Tilford (2015, p.2). The overall factor explaining enmity towards immigration is that poorer white Britons have barely profited from improvements in average education and academic tuition, and are “now easily the worst educated in the country, as well as the most likely to be in low-paid work and to be competing for scarce supplies of social housing” (Tilford, 2015, p.2). Government has so far failed to address this tangibly.

One broad factor influencing the reflexes against EU immigration in the UK, according to Irwin (2015, p.19), is dubiety and incertitude in the forces of globalization and the changes to the concept of national sovereignty (Staiger, 2016). Socio-cultural claims have led to calls to reserve specific privileges to British citizens. The political right sees British homogeneity under threat and warns of limits of the nation's ability to absorb immigrants. Such concerns “have turned into full-blown nativist unease with demographic developments per se, portrayed as threatening the nation’s ‘destiny’” (ibid). Thus, immigrants have turned to scapegoats for populist politicians who have understood that it is easier to blame immigrants than to “address the chronic policy failures” (Tilford, 2015, p.2).

By talking about immigration as a problem and treating the need to reduce it as axiomatic, politicians have legitimized xenophobia. The reason anti-immigrant sentiment is focused on EU migration as opposed to immigration from outside the EU is simple: complaining about Polish immigration is not seen as racist in the way complaining about black or Asian immigration is. But it is just as xenophobic (ibid).

A subject which has become “conflated” with the discussion about Britain leaving the EU is that refugees in great numbers have come to Europe from crisis-struck countries of the Middle East and Africa (Standard Comment, 2016). The deal between the EU and Turkey to shelter refugees in return for a lift in visa requirements, which “should have no role in the Brexit debate”, comes at a bad time shortly before the UK's EU referendum (Staiger, 2016). The Economist (2016) agrees with this judgment, stating that Turkish membership will not happen in the medium term and, “if it were agreed, would come with tight migration limits.” Finally, some Eurosceptics play the terrorism card, saying that naturalized EU radicals could be let into Britain (ibid) because of free movement. Staiger (2016) writes, in contrast, that “Britain currently enjoys the best of both worlds” with access to the common market and tight border controls.

## 4.2. Current Migration Figures

At the end of 2015, the number of non-UK EU workers in the UK attained 2.04 million (Inman, 2016). Official statistics place workers from outside the EU, chiefly from China and India, at 2.93 million (The Week, 2016). Most of these are skilled workers of Tier 2 of the points-based visa system (Blinder, 2016, p.2).

In 2013, there were around 1.1 million immigrants from the so-called A8 states living in the UK. The A8 are the EU member states which acceded to the union in 2004 and towards which the UK chose not to impose restrictions, since it expected only a low inflow of people (Springford, 2013, p.1). The “decision was made on the grounds that labour migrants would benefit the UK economy at a time of nearly full employment and economic growth” (Boswell, 2016a, p.105). Government statistics now say that there are 942,000 "eastern Europeans, Romanians and Bulgarians working in the UK" (The Week, 2016).

In the first quarter of 2015, 3 million EU-born lived in the UK (Vargas-Silva & Markaki, 2015, p.4), including family. The 2 million providers generally come to the UK in order to work, followed by a considerable number of those who come for university study (Vargas-Silva & Markaki, 2015, pp.2, 4). Net migration of EU nationals was at 180,000 per year as this paper is being written (Boswell, 2016a, p.106). Migrants from long-standing EU14 countries made up 24% (120,000) of non-British inflows, migrants from A8 countries accounted for 15% and migrants from A2 accession countries stood at 10% during that year (Vargas-Silva & Markaki, 2015, p.6). A small number from Bulgaria and Romania are reaching the UK. They have been allowed access to the labor market since 2014 (Boswell, 2016a, p.105). In 2014, almost 13% of immigrants to the UK figuring in official statistics were British nationals returning from abroad.

### 4.3. Positive Economic Contribution of Immigrants

Several research studies have identified EU migrants as “net fiscal contributors,” unlike non-EU migrants (The Economist, 2016). Foreigners also dispose of higher education than the UK-born workers and are 43% less likely to receive state benefits (Travis, 2014). Migrants “help fuel ... growth” and make Britain “the jobs factory of Europe that brings them here” (Travis, 2016) in the first place.

In 2015, men born in countries that joined the EU in 2004 or later had a 90% employment rate, compared to 78% among UK-born men, while women from new Member States had a 75% employment rate, compared to 70% among UK-born women (The Migration Observatory, 2016a, p.2).

Migrants are “a boon, not a burden” (Springford, 2013, p.1). As of 2014, EU-born in general were 8% less likely to collect some amount of state benefits than the 37% of natives who do (The Economist, 2014). EU workers in the UK are mostly young and rather well-educated, raise the GDP, benefit the welfare state, and fill labor gaps “that UK nationals are either unwilling or unable to take up – because they don’t have the required skills, live in the wrong area, or are put off by poor conditions and wages” (Boswell, 2016a, pp.109.110).

More Western Europeans work in high-skill jobs, such as science and technology or medicine, than the average population; 16% are self-employed, whereas this goes for Britons in only 10% of cases. A disproportionately high number of A8 citizens in the UK work in skilled trades, while the majority work in lower-skilled manufacturing, construction or in services (Springford, 2013, p.3). Their wages are low, but they also have a high employment rate, and they reinforce the strong labor market of today (Kierzenkowski e.a., 2016, p.25).

Research by Christian Dustmann of University College London and Tommaso Frattini of the University of Milan indicates that from 2001 to 2011, the net fiscal contribution of arrivals from eastern European countries amounted to almost 5 billion GBP, while migrants from the original 15 EU member states brought net gains of 15 billion GBP (Warrell; The Economist, 2014).

“Even during the worst years of the financial crisis, in 2007, [A8 workers] made a net contribution of almost 2 billion GBP to British public finances. Migrants from other European countries chipped in 8.6 billion GBP” (The Economist, 2014).

This estimate likely overestimates the fiscal costs side, according to the researchers (Dustmann & Frattini, 2013, p.26). They calculated a net fiscal contribution by immigrants from the European Economic Area (EEA) which amounts to “8.8 billion GBP (in 2011 equivalency), compared with an overall negative net fiscal contribution of 604.5 billion GBP by natives” (p.27). A government report this year said that EU migrants made up 6% of the UK’s working-age population with only 2% of welfare benefit claims (Reuters, 2016).

From 2001 to 2011, recent EEA immigrants made 34% more fiscal contributions (22.1 billion GBP) than they generated costs in welfare, compared to 2.9 billion GBP by immigrants from non-EEA countries.

“The net fiscal balance of overall immigration to the UK between 2001 and 2011 amounts therefore to a positive net contribution of about 25 billion GBP, over a period over which the UK has run an overall budget deficit” (Dustmann & Frattini, 2013, p.27).

Between 1995 and 2011, non-EU immigrants generated a net cost of 118 billion GBP. “This is partly because of the higher numbers of children and lower employment rate of non-EU migrants before points-based restrictions were imposed from 2008” (Warrell, 2014). On the other hand, EU immigration “is currently boosting the workforce by around 0.5% a year. This modest inflow has helped support the economy’s ability to grow without pushing up wage growth and inflation, keeping interest rates lower” (Woodford, 2016 p.2) for a prolonged period of time.

Travis (2014) and Warrell (2014) emphasize that Britain has managed to attract more highly skilled and educated migrants than Germany. Polish immigrants living in the UK were better-skilled than elsewhere. According to Tilford (2015, p.1) this might be explained by the acceptance of foreign qualifications by British employers. 60% of the EU workforce, including from western and southern Europe, are university graduates, while a quarter of east Europeans hold a degree, compared to 24% of native workers (Travis, 2014). Most immigrants come to work in the UK after completion of their education in their home countries, making them more valuable for the British economy, Dustmann and Frattini (2013, p.29) indicate.

One of the reasons cause of long-running economic growth is the human capital stock's quality: the more skilled the workers, the higher their productivity (Springford, 2013, p.4). What is more, highly skilled immigrant who work in research and development help “raise the productivity of other

workers” (p.5). The complementary nature of work immigration to the UK will introduce new technological advances. “This process would then raise the wages of both immigrants, who are more productive than they would be at home, and indigenous workers, who are freed to specialise” (p.2), though a small number of employees is expected to “lose out.” Overall productivity will increase.

Like the host population, the immigrant population will be aging, which “may lead in the longer run to an increase in benefit receipt,” however this may be counter-acted by return migration to their countries of origin and by the fact that migrants are mostly young, yet to reach their “full economic potential” (Dustmann & Frattini, p.28).

#### **4.4. No Job Replacement nor Sizeable Wage Depression**

EU Immigration has not affected wages negatively altogether, and effects on lower-skilled jobs are small, while “productivity impacts have been positive,” evidence suggests (ITV, 2016; Portes, 2015). Studies scrutinizing the effect of both EU and non-EU immigration found that it “increased wage inequality slightly” (Springford, 2013, p.4). Britain's population is aging, and immigration helps counterbalance that as well as easing skills deficiencies, especially in high-performance industries, according to Irwin (2015, p.18), who adds that free movement has benefited the CBI enterprise organization's member businesses.

In fact, highly skilled labor migrants are complementary to British workers and do not substitute these; on the contrary, they raise their wages (Springford, 2013, p.4). Government statistics show that since David Cameron's accession to the function of prime minister, 1 million Britons and 850,000 Europeans acquired jobs in the UK additionally (Travis, 2016) to the ones which previously existed. Irwin (2015, p.18) estimates that 1.5 million new jobs will be created in the more highly qualified sector by 2022. While lower-pay jobs will be created in fewer numbers, “there will be a high demand for labour to replace retirees in these areas” (ibid).

Studies unanimously found that A8 immigration since 2004 hardly raised unemployment among UK-born workers, and hardly weakened their wages (Springford, 2013, p.3). This also goes for the industries of hospitality, food processing and construction, as Rolfe & Hudson-Sharp (2016, p.7) point out:

In the sectors we examined, EU migration has helped employers create and sustain more flexible and efficient business models. While increased training, and other broad efforts to improve the pay, employment prospects and job quality of young and unskilled Britons, would obviously benefit the UK as a whole, they are neither directly inhibited by EU migration, nor would they provide much immediate assistance to the sectors where EU migrants are concentrated.

Workers from eastern Europe have caused changes to the skill profile of migrant labor in Great Britain and Northern Ireland. Since 2014, they have been working in the following low-skilled occupations as part of the “core workforce” (Rolfe & Hudson-Sharp, 2016, pp.4-5): food production, hospitality, cleaning, housekeeping, and skilled manual trades. Employers, according to surveys, require flexibility and choice, and have “factored the availability of EU migrants into their expansion plans” without, however, favoring their EU employees (pp.5-6). Except for the hospitality and food trades, which require lower skills, employers offered formal trainings; employers in those sectors complained that there is an insufficient number of practiced personnel in peak times, since their industries had little appeal to young Britons (p.6).

Should immigration be highly restrained after a possible Brexit and low-skilled workers be asked to leave, the skills pool would be considerably diminished, with a lower quantity of apt workers and an increase of skill mismatches (Kierzenkowski e.a., 2016, p.28). Foreign direct investment (FDI) would further be negatively affected, and in consequence, managerial expertise would be weakened (ibid).

#### **4.5. Reasons for Higher EU Migration**

Some EU countries of origin dispose of weaker economic conditions than the UK. The income disparity adds to Britain's attractiveness when it comes to work, even when A8 migrants worked for the minimum wage. Three years ago, the per capita income of the A8 eastern European countries was one third that of the UK (Springford, 2013, p.1). Albeit, incomes have been converging, a study by The Migration Observatory (2016a, p.5) has found. It states that the income gap with Poland has halved from 2007 to 2014.

The lobbying group Migration Watch considers the “wealth disparities” between the poorer EU countries and the UK to be “a massive economic incentive to migrate from poorer to wealthier

countries” (Migration Watch, 2016), however reasons for migration to the UK are much complex. First off, studies show that so-called “benefit tourism”, profiteering from the British welfare system,

“if it exists at all, is a tiny problem [:] Only 0.2 per cent claim unemployment benefit but have never worked in Britain. Just 0.4 per cent of EU immigrants are on unemployment benefit six months after arriving in Britain, rising to 0.8 per cent one year after arrival” (Springford, 2013, p.8).

This includes legitimate claimants who have lost their jobs. While 2.1% claim child benefit and 1% Jobseeker's Allowance, 6% are unemployed without claiming allowance support. Compared to this, roughly 20% of the British in working age claim child benefit, and 20% claim tax credits (ibid). Jobs, not welfare, are the number one incentive to move to Britain. 71% of migrants come for work, followed by those who come for university studies, according to official documents (Petroff, 2016).

Long-term immigrants are more likely to claim benefits, especially those with children or on a low income. “But this is hardly surprising: as immigrants integrate and make the UK their home, they use the welfare system much as Britons do” (Springford, 2013, p.8).

Secondly, as mentioned in the previous chapter, there are skill gaps which need to be filled. When a job market is saturated, it will reject labor immigrants and compel them to leave.

Thirdly, the Britain's flexible labor market contributes to finding jobs more easily. Immigrants face difficulties in EU states with more restrictive regulations (p.4). Finally, the “ubiquity” of the English language has it that immigrants in many cases know English before they come, while others are willing and prepared to learn it as a global language of communication (p.6).

## **5. EU Immigration and Policies in Place**

### **5.1. Counter-Measures towards Immigration**

Because of the right to free movement within the EU, the UK government has tried to restrict non-EU migration. Limits on Tiers 1 and 2 visas were expected to decrease migration by 9,000 to 11,000 per year until 2016. Tier 4 and Post-Study route changes were expected to decrease net migration by between 38,000 and 61,000 during the same period. Family migration was expected to decrease by 9,000 a year, and the estimated Tier 2 changes will first take effect in 2016 (data by The Migration Observatory, 2012, p.21). Other recent measures to non-EU immigration included augmenting skills requirements and raising the salary requirement “to sponsor a non-EU spouse” (Migration Watch, 2016).

Starting April 2017, the salary threshold will be augmented to 30,000 GBP by April 2017 for ‘experienced hires;’ graduate recruits and people aged 25 or under "will continue to face the 20,800 GBP threshold for the first three years of their Tier 2 employment" (Vargas-Silva, 2016, p.4). The higher threshold is supposed to raise the income level of the then fewer non-EU, including Commonwealth, immigrants. In 2016, further reforms were proposed by the Migration Advisory Committee (MAC), namely a surcharge for companies hiring skilled non-EU workers, as a motivator to train more British workers (Barrett, 2016). Should the UK leave, and then trade with, the EU without an agreement on free movement, similar measures could apply to new EU labor migrants. Those already in Britain are likely to be allowed to stay, legal experts have said.

In February 2016, Prime Minister David Cameron negotiated a deal to restrain alleged welfare incentives to EU immigration. For seven years, EU citizens in the UK will not be able to retrieve in-work credits during their first four years of residence; moreover, child benefits is indexed to the rates which apply in the country where the children reside. However, we previously noted that benefit tourism is marginal among EU migrants to the UK; most do not receive any benefits. Even the number of those receiving tax credits is low: Families with at least one EU national constituted 6.8% of those receiving credits in March 2013. Thus, the Cameron deal must be considered symbolic, unlikely to affect mobility decisions of EU migrants (Boswell, 2016a, pp.108-109; Boswell, 2016b; The Migration Observatory, 2016a, p.2; Reuters, 2016).

## 5.2. Domestic Policy Challenges: Housing and Schooling

Immigration does have certain distributivity effects (Staiger, 2016): There are indeed shortages in housing and education, however this pressing question was long neglected by government which failed have sufficient living accommodations constructed. What is more, the problem is caused by indigent Britons searching for affordable housing and close-by schools as well. Immigrants are, thus, not the only ones (ibid) who “push up housing costs” (Springford, 2013, p.1), although they are involved in the matter, especially in prospering London and England's south-east (p.7). Housing supply must be improved considerably, “which would require bolder domestic policies to relax land planning regulations” (Kierzenkowski e.a., 2016, p.28). The Economist (2016) agrees that planning constraints are the wrench in the works when it comes to housing.

On the short term, housing costs decrease in places where immigrants settle, as they tend to live in “crowded accommodations;” in the long run, both Britons and established immigrants will likely move to areas with higher housing prices. (Springford, 2013, p.7). All in all, this is to force housing costs up foreseeably, unless new houses are build. Notwithstanding, in this discussion, it is to be noted that European immigrants were 3% “less likely to live in social housing than Britons,” as of 2014 (The Economist, 2014).

Another public service already under pressure in some areas is schooling (Evening Standard, 2016). Although they are net contributors to the public budget and their contribution is projected to grow in future, more A8 migrants will have family in the years to come and increase the need for education spending (Irwin, 2015, p.18; Springfield, 2013, p.10). As Tilford (2015, p.2) emphasizes: “The problem is again public policy: the supply of public services is too slow to respond to increased demand for them.” EU immigrants are the wrong projection surface for public anger, as the underfunding of public services is, first and foremost, a politico-structural problem. Finally, as an anecdote, when it comes to co-educating native Britons with non-native speakers, such classes “do slightly better” than those classes where students with English as a second language are absent (ITV News, 2016).

## **6. Possible Political Steps Post-Brexit**

### **6.1. Limited Appropriateness of Reduced EU Migration**

Migration Watch has its own idea of optimum population. According to the lobbying group (2016), population growth must be stabilized on the long run by leading migration back to the level of the 1980s and 1990s, when it was between 50,000 and 70,000 a year by making migration “more temporary” and increasing “outflows.” However, most economists agree that population growth is not negative as such and that the UK would need to raise Tier1 (highly skilled, entrepreneurs) and Tier 2 (skilled, graduate) quotas “significantly” to avoid economic disruptions once EU residents required visas. Restrictions, if there were imposed, would be “disproportional” for London's enterprises (Irwin, 2015, p.18). Tier 3 (unskilled) immigration would again have to be allowed, and low-skilled workers already in the UK be allowed to remain. “If free movement were to end, with or without single market access, this still wouldn't automatically mean a large reduction in immigration” (ITV, 2016).

Many of those who campaign for a Brexit claim that the UK will have control over EU migration once the country leaves the EU. That is doubtful in light of free movement of labor for EU citizens to Norway and Switzerland, both of which have signed trade agreements with the EU in order to have full access to the European Economic Area (EEA) (Petroff, 2016; ITV, 2016). Article 50 of the European Treaty stipulates that a member state may only in its entirety withdraw from the EU. Future links would have to be renegotiated (Boronska-Hryniewiecka, 2016, p.1). Free movement would be an essential condition advanced by the EU.

The anti-European party UKIP, among others, has advocated the Norwegian model. However, Norway did not only have to accept free movement resulting in a higher proportion of EU migrants than the UK has integrated, is also belongs to the Schengen area with “less control over European immigration than Britain” (Staiger, 2016). Those who take Switzerland as an example ignore that the country has only partial access to the Single Market yet has to accept immigration from mainland Europe (ibid; ITV, 2016). Like Norway, Switzerland in 2013 had higher numbers of migrants from the EU than Britain.

If Britain were not to join the Single Market after a possible Brexit, it might apply the same, probably reformed, visa rules to all immigrants, be it EU or non-EU immigrants. The pressure

group Migration Watch estimates a drop by 100,000 a year from the current figures. However, others say that non-EU migration might again increase, because of growing economic demand, while EU migrants already here will likely be allowed to stay (Barrett, 2016; ITV, 2016), which would contribute to avoiding a gap in the job market especially for low-skilled workers. Migration Watch in a PR release estimated that a mere fifth of EU migrants since 2004 have been higher-skilled. If a restrictive visa regime would take hold, which is unlikely, “new requirements for qualifications and experience” would keep low-skilled outside the UK (Barrett, 2016). The question is whether this would be wise, in the medium term, in light of demographic change and rising competition through possible free trade.

According to official statistics, 58% of EU immigrants have a definitive job offer upon arrival in Britain (Boswell, 2016a, pp.109-110), including the many low-skilled workers. In case the low-skilled were deported and the Tier3 visa route remained closed, “this would mean that British workers [, in the place of migrants,] would be sent to the fields or dreary factories, while EU migrants could access skilled work”, the European Movement (2015) wittingly expressed.

Many Brexiters have asserted that the acceptance of low-skilled workers discriminated against higher-skilled and entrepreneurs (Rankine, 2016). However, one job does not substitute another, because of the phenomenon of labor mismatches, which mean that employment gaps, or vacancies, cannot be filled by just any immigrant nor by the native workforce (Boswell, 2016b); either

“because they don’t have the required skills; because they are living in another part of the country and are unable or unwilling to relocate; or because the salary or work conditions are not sufficiently attractive.”

Boswell (2016b) suggests that one part of the solution is to “better match the supply of (resident UK) labour, and labour market demand,” for instance via higher salaries, which the National Living Wage is supposed to bring about. Another element in policy, besides better salaries, would be to improve education and training of British workers (Booth, 2015, p.4) in areas such as construction, however the impact might be obstructed by “the economic downturn and budget cuts” (The Migration Observatory, 2012, p.24).

Besides, training cannot solve low-skill labor gaps. If EU labor were to be markedly reduced, this would result in serious shortages, “with damaging effects” in manufacturing, food processing, cleaning, tourism, and health (Boswell, 2016a, pp.109-110). And as baby-boomers go on retirement

and new jobs are created even in the low-skilled sector, “demand for immigrant labor is likely to grow” (Springford, 2013, p.1). In sum, a diminution of migration in the midst of the discussion to “stabilize” the population may create costs and negative trade-offs, especially in low-wage sectors such as care work (The Migration Observatory, 2012, pp.24, 28). UKIP promotes “Australian-style cherry-picking” of skilled workers, however Britain is practicing “a lot of this already” (The Economist, 2016), as the share of foreign-born in the UK with academic qualification indicates. Likewise, the proportion of migration to Australia is three times higher than that to the UK (European Movement, 2015). Britain is already better off than its former colony.

## **6.2. Migration Post-Brexit Likely to Remain Considerable**

As the Migration Observatory (2016b) explained, since post-Brexit decisions not only rely on the UK government but also on “lengthy negotiations with the EU,” the significance of a possible Brexit for EU citizens is yet unclear. However, the effect of reduced migration can be projected in a number of scenarios. Kierzenkowski e.a. (2016, p.28) think that immigration would likely be curbed significantly because of public opinion, despite economic prosperity and without “a long-run [positive] impact on the unemployment of natives.” According to this view, low increases in wages stem from “weak productivity developments,” which, as we have seen, can in a number of cases be counter-weighted by immigrant labor.

Overall, a reduction of EU migration is “likely to be relatively small”, according to the Migration Observatory (2016b, p.1), but would be “disruptive in some industries” which depend strongly on the EU migrant workforce, with adjustments being uncertain. For instance, the accommodation and food industries rely to an extent of some 12% on EEA workers, manufacturing to 9%. In 2015, “lowest-skilled jobs” were filled to some 13% with EEA-born workers (p.3). In response to a cut in EU migration, some entrepreneurs might resort to mechanization, lay off staff or augment pay. “Both of these options are likely to raise costs, which may be passed on to customers through higher prices” (p.5). Moreover, wage increases or similar measures would exacerbate competitiveness (Rolfe & Hudson-Sharp, p.7).

Bloomberg Intelligence estimates that reducing immigration by 100,000 people a year after Brexit could lead to a decline in British GDP of more than 1% by 2020, which would be accompanied by a gradual increase in public debt (Boronska-Hryniewiecka, 2016, p.1).

Government could implement a consistent migration policy with regards to skills needed, rather than the workers' countries of origins as in the case of EU labor migrants; this would plug shortfalls and might boost British productivity more than before, as Woodford (2016, p.9) assumes. However, he predicts major side-effects, as the number of low-wage workers is likely to be reduced post-Brexit because of public opinion; this would be “a headache” for agriculture and other sectors (p.2). If overall migration remains considerably lower than before, one might add that the benefit even for highly-skilled sectors is doubtful. As it stands, “the demand for foreign labour is likely to remain unchanged” (Boswell, 2016a, p.110), and overly increased migration control might “harm the British economy” (Boronska-Hryniewiecka, 2016, p.1).

Damage to the economic performance could “only” be limited “if the UK continues to welcome in large numbers of migrants from the European Union every year” without cutting EU “net migration substantially” (Chu, 2016, citing Oxford Economics). This would stabilize the gross domestic product (GDP) and raise per capita income, according to this specific financial modeling. Booth (2015, p.1) agrees that a liberal migration policy is necessary to raise GDP till 2030. “The government must allow in large numbers of skilled and unskilled workers,” even if it is the case for only more adept ones, reports even the tabloid The Sun (2016) in a “blow to some Leave campaigners” promising to “slash” the numbers of foreigners.

If a points-based system were installed including EU workers, emulating Australia and Canada, “the system could be weighted strongly towards those with a job offer” including lower-skilled workers; the system would stress skilled labor, on the other hand, but be flexible enough to “be varied depending on economic circumstances” (Ruparel, 2016, pp.4-5). As labor market is “already tightening,” the increasing question of “aging demographics” must be overcome, and immigration is a way to “help smoothen the path to fiscal sustainability” (p.1).

“... there is likely to be a continued need for migrant labour to fill low-skilled jobs. Therefore, the UK would also need a mechanism to fill low-skilled jobs or meet labour shortages where employers have recently relied on EU migrants” (ibid).

As mentioned before, Britain might not change the current system at all wherein free movement of EU citizens is guaranteed, were it to gain new access to the European single market (The Economist, 2016; Booth, 2015, pp.2-3). In case there is a points system post-Brexit, negotiation trade-offs may mean “preferential treatment for EU citizens” or “a separate temporary migration scheme for migrants from the EU” (Ruparel, 2016, p.5). Were the UK to trade with the EU based on

World Trade Organization (WTO) rules, with a major cut in EU migration, access for British financial services would likely be curbed (Boswell, 2016b) by the EU in order to set a strong example.

Bilateral agreements with a few selected EU countries without agreeing on free movement would be an alternative scenario. But it would probably meet the resistance from the EU as a whole, as well as other countries, and be a long and complicated process. It is hence “not very realistic” (Boronska-Hryniewiecka, 2016, pp.1-2). The most likely scenario is that the UK would gain access to the single market individually, such as Switzerland, however this would mean again re-opening the British labor market to EU citizens (Boronska-Hryniewiecka, 2016, p.2). This could at least avoid that financial burden of Norway as a EEA member, but would not lower immigration substantially.

## 7. Outlook (In Lieu of a Conclusion)

With net immigration from mainland EU to the UK at a peak, “nearly half of the British population now think this is negative for the country” (Staiger, 2016). However actually, migrants are young and productive and pay more to the public purse than they get back in the form of public services (CER, 2016, p.85; Boswell, 2016b). Jobs, rather than benefits, attract migrants to Britain, be it from the EU or from elsewhere (Travis, 2016). This pull would not change after a possible Brexit, it has allowed government to grant the population lower tax rates because of the additional income and higher productivity generated by migrants (Staiger, 2016; Springford, 2013, p.2).

Restrictions and controls of migration after a Brexit would hurt the economy less if migrants already in the UK were allowed to stay, which is likely to happen. The markets would be affected considerably by the overall consequences of, and uncertainties after, an exit anyhow. Oxford Economics argues that over-regulation of migration in the aftermath of a Brexit would “open up a black hole in the public finances” equivalent to 22 billion GBP to 31 billion GBP (Chu, 2016). A recession would lower “the incentives for economic migration,” and a lack of investment would except “foreign managers and other skilled professionals” (Kierzenkowski e.a., 2016, p.28).

“Limiting labour supply could make the UK less competitive by raising wages and prices. If this happened at the same time as the UK opened up to free trade and new low-cost competition from emerging markets in India and China, some UK-based businesses could find it even harder to compete” (Booth, 2015, p.4).

Boswell (2016a, p.110; 206b) holds it likely that EU migration to the UK will quasi-naturally decrease until 2030. Flows from southern European countries “are likely to recede as their economies pick up.” She predicts that immigration from non-EU countries will grow and the craze against EU labor migrants will regress. In the medium run, however, because of the demographic effects of an aging society, demand for immigrant labor might again rise (CER, 2016, p.85; Springford, 2013, p.5). There is a known benefit of migration “mitigating population aging” (Kierzenkowski e.a., 2016, p.26). The need for migrants to fill vacant jobs of retirees will be “strong in low-skilled administration and services, in manufacturing, and in skilled trades, occupations in which A8 nationals are over-represented,” while western Europeans would help create new jobs and succeed some of the more highly skilled retirees (Springford, 2013, p.6).

Southeast European economic recovery as well as a job gap in the UK are factors “likely to influence the pressure for EU citizens to migrate to the UK,” in one direction or another; which one

not yet absolutely certain (The Migration Observatory, 2016a, p.6). However, claims by the Leave campaign that a considerable restraint of immigration comes without costs but generates net benefits “are misleading and simplistic” (Staiger, 2016).

A poll conducted by Voxter found that 83% of British would like the government to clearly explain before the EU referendum what it intends to do with the 3 million EU migrants already in Britain, and what would happen to the 2.2 million Britons living in the EU (Ballinger, 2016). In principle, this question is answered: The the Vienna Convention guarantees that both groups should be allowed to remain (Kovacevic, 2016). Some researchers disagree, saying that concrete negotiations to that end might not be as unproblematic “as one might assume” (Springford, 2013, p.10). For new British expats, a Brexit might make it more difficult to work, retire, or study in Europe (ITV, 2016). For old expats, it might be difficult to use the health system in Spain and elsewhere. These aspects would all be part of negotiations with the EU.

If the government defines migration policies “with the needs of its economy in mind, the British government would allow free immigration from the EU to continue” (Springford, 2013, p.9) to allow lower-skilled immigrants to fill job gaps Britons cannot fill, and to allow higher-skilled to help create new jobs. If the government were to lead EU migrants through the visa system, regulations would have to be liberalized in order to allow for new lower-skilled workers to enter, in view of demographics and the demands of employers; an overly restricted regime “would have a negative impact” (Booth, 2015, p.3; Springford, 2013, p.10). Artificially limiting EU migration in favor of the Commonwealth “seems disingenuous at best” (Portes, 2015).

In case severe restrictions to immigrations were imposed post-Brexit, there could be a “rush for the border” ahead of the new rules taking effect, “resulting in a surge in migration in the short term” (Woodford, 2016, p.9). Ultimately, “a growing population can create problems, but a shrinking one is worse” (The Economist, 2016).

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