

# To What Extent Does Immigration Lead to Displacement Effects and Subdued Growth in Earnings for UK Workers

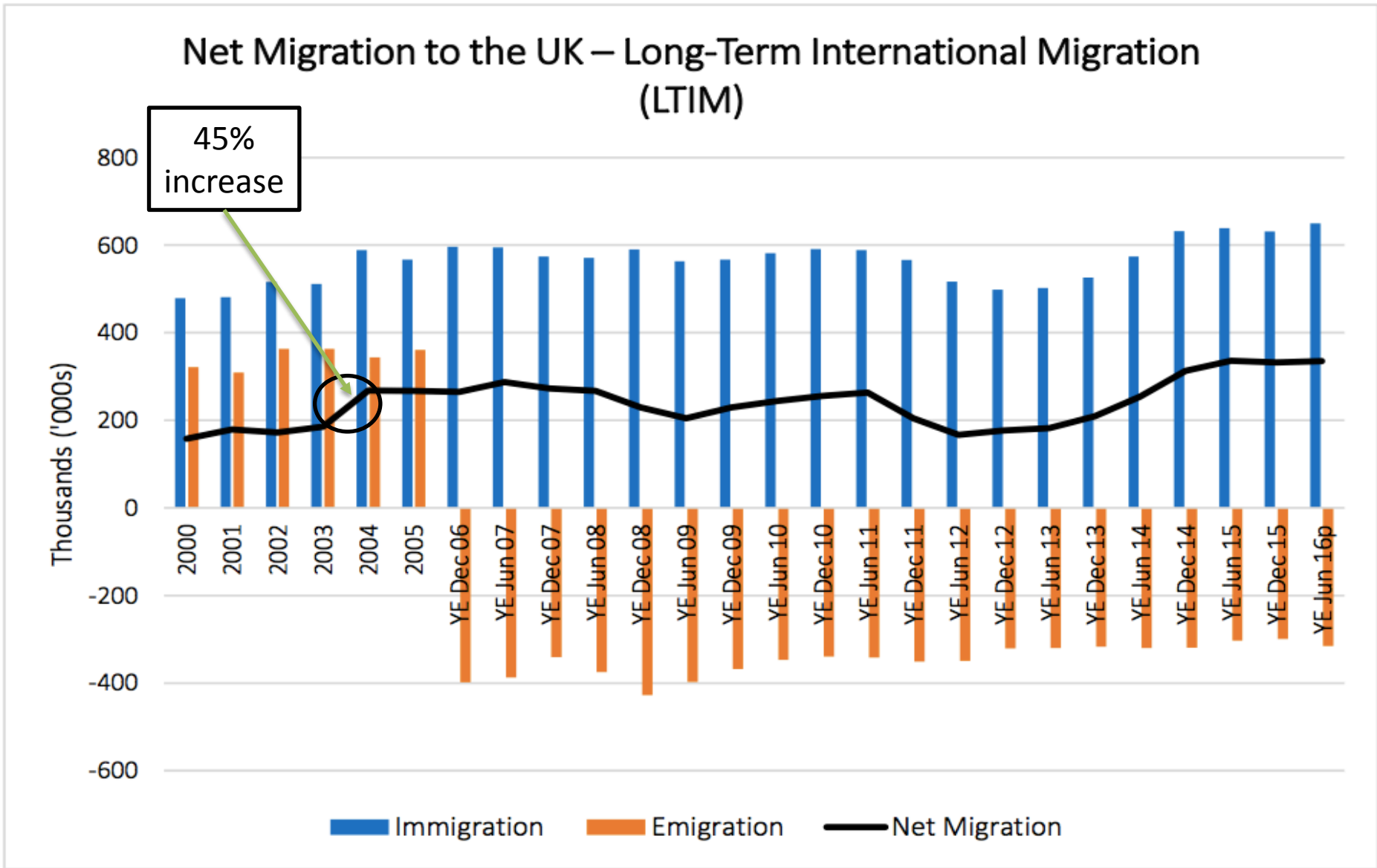


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# Introduction

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Figure 1: Long-Term International Migration into and out of the UK



Source: ONS Crown Copyright, 2017. 'Long-Term International Migration Series', 2000 – June 2016.1 [accessed through ONS on 23/01/2017]

## What

Migration is a dominant topic within public debate

## Why

Rising unemployment post recession yet historically high levels of immigration

## Why

Lack of focus in public debate on the nature of labour markets dominated by migrants

## How

Shed light on the nature of 'low paid, low skilled' labour markets

# Methodology

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# Literature Review

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Labour economic theory details the impacts on wages and employment from a supply side shock of immigration; wages fall whilst native workers are displaced.

## Dampening Of Wages

- Small but positive effect
- Negative impacts for the lower end of the wage distribution
- Small, negative impact overall, with the effect being most evident for low skilled workers.

## Displacement Of Workers

- Very little effect on native employment
- Negative relationship between immigration and native employment during periods of negative growth
- Intermediate and lower skilled experiencing the greatest effect

Short  
Run

# Research Questions

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i.

- Does immigration lead to displacement of native workers; particularly for the lowest skill distribution group?

ii.

- Does immigration lead to subdued growth in native wages; particularly for the lowest skill distribution group?

iii.

- Can immigration be solely responsible for the subdued growth in wages at the lowest skill distribution group?

# Methodology

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Time series analysis carried out over a 17 longitudinal period (2000-2016) which includes key policy decisions and macroeconomic factors, which may influence migration trends and labour market impacts.

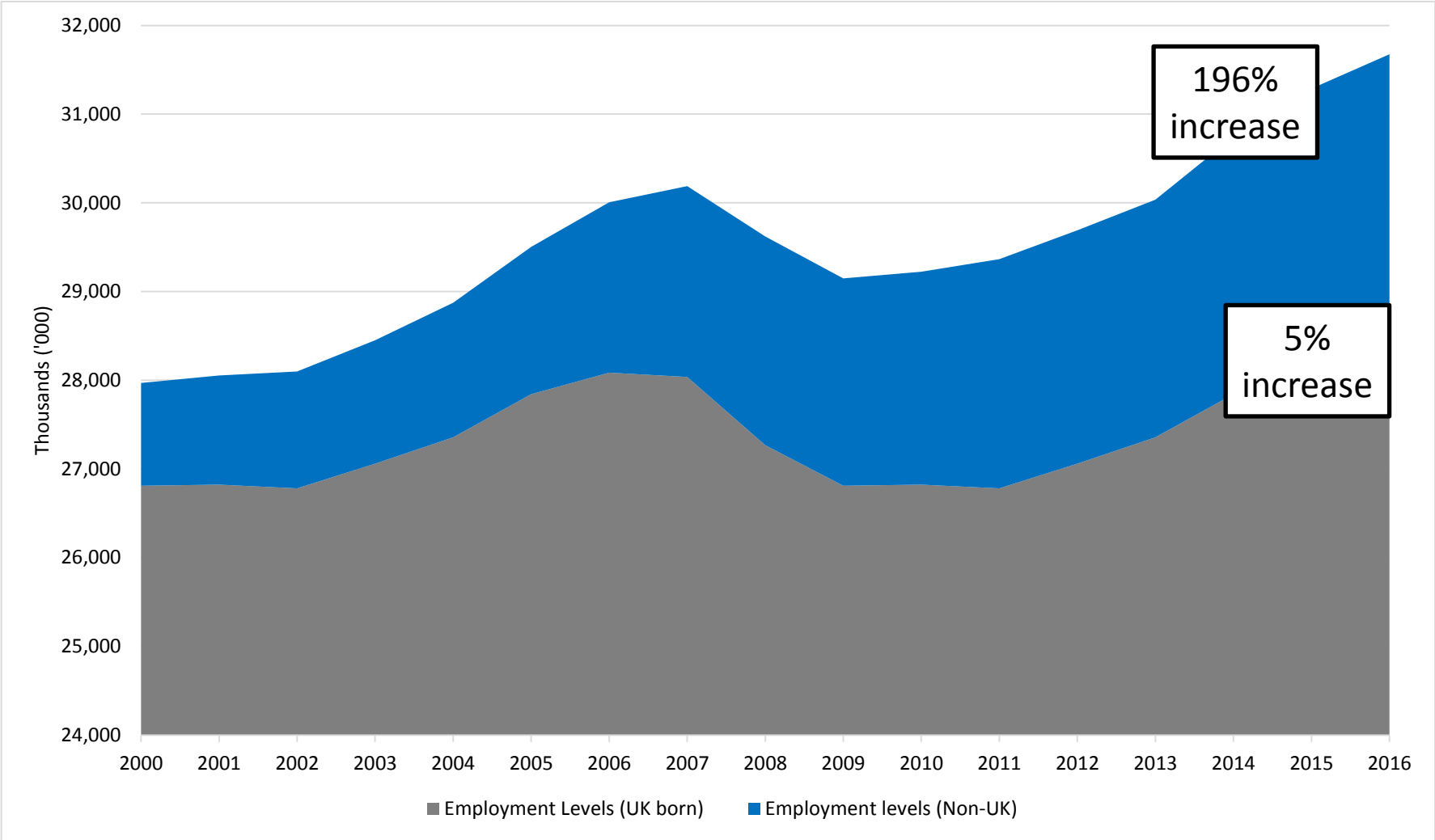
|      |  |   |
|------|--|---|
| i)   | <b>UK Employment Levels</b>  |   |
|      | LFS  | Time Series Analysis                        |
| i)   | <b>UK Employment Rates – Skill Level</b>                           |   |
|      | OECD   | Time Series Analysis<br>Skill-cell approach |
| ii)  | <b>Median Earnings Levels – UK and Boston</b>                      |   |
|      | LFS<br>ASHE  | Panal Analysis<br>'Low skilled, low pay'    |
| iii) | <b>Median Earnings Levels – Boston and five comparable regions</b> |   |
|      | LFS<br>ASHE  | Spatial Analysis<br>'Low-skilled, low-pay'  |



# Findings

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# Employment Levels by Nationality



Source: ONS, (2017c). 'Labour Force Survey – Employment level nationality', January 2000-December 2016 [accessed through ONS on 11/01/2017].

# Employment Levels by Nationality

|                           | Date | (Thousands)               |                             |                            |
|---------------------------|------|---------------------------|-----------------------------|----------------------------|
|                           |      | Employment Levels (Total) | Employment Levels (UK born) | Employment levels (Non-UK) |
| Pre A8 accession          | 2000 | 29,154                    | 26,811                      | 1,158                      |
|                           | 2001 | 29,227                    | 26,823                      | 1,231                      |
|                           | 2002 | 29,375                    | 26,782                      | 1,317                      |
|                           | 2003 | 29,694                    | 27,060                      | 1,391                      |
| Post A8 accession         | 2004 | 30,042                    | 27,357                      | 1,517                      |
|                           | 2005 | 30,754                    | 27,843                      | 1,661                      |
|                           | 2006 | 31,293                    | 28,086                      | 1,921                      |
|                           | 2007 | 31,169                    | 28,037                      | 2,151                      |
| Recession                 | 2008 | 29,628                    | 27,268                      | 2,353                      |
|                           | 2009 | 29,154                    | 26,811                      | 2,337                      |
| Recession recovery        | 2010 | 29,227                    | 26,823                      | 2,400                      |
|                           | 2011 | 29,375                    | 26,782                      | 2,584                      |
|                           | 2012 | 29,694                    | 27,060                      | 2,631                      |
|                           | 2013 | 30,042                    | 27,357                      | 2,679                      |
|                           | 2014 | 30,754                    | 27,843                      | 2,902                      |
|                           | 2015 | 31,293                    | 28,086                      | 3,202                      |
|                           | 2016 | 31,679                    | 28,250                      | 3,425                      |
| Total Percentage increase |      | 9%                        | 5%                          | 196%                       |

|                    |    |    |     |
|--------------------|----|----|-----|
| Pre A8 accession   | 2% | 1% | 20% |
| Post A8 accession  | 4% | 2% | 42% |
| Recession          | 2% | 2% | 1%  |
| Recession recovery | 8% | 5% | 43% |

Source: ONS, (2017c). 'Labour Force Survey – Employment level nationality', January 2000-December 2016 [accessed through ONS on 11/01/2017].

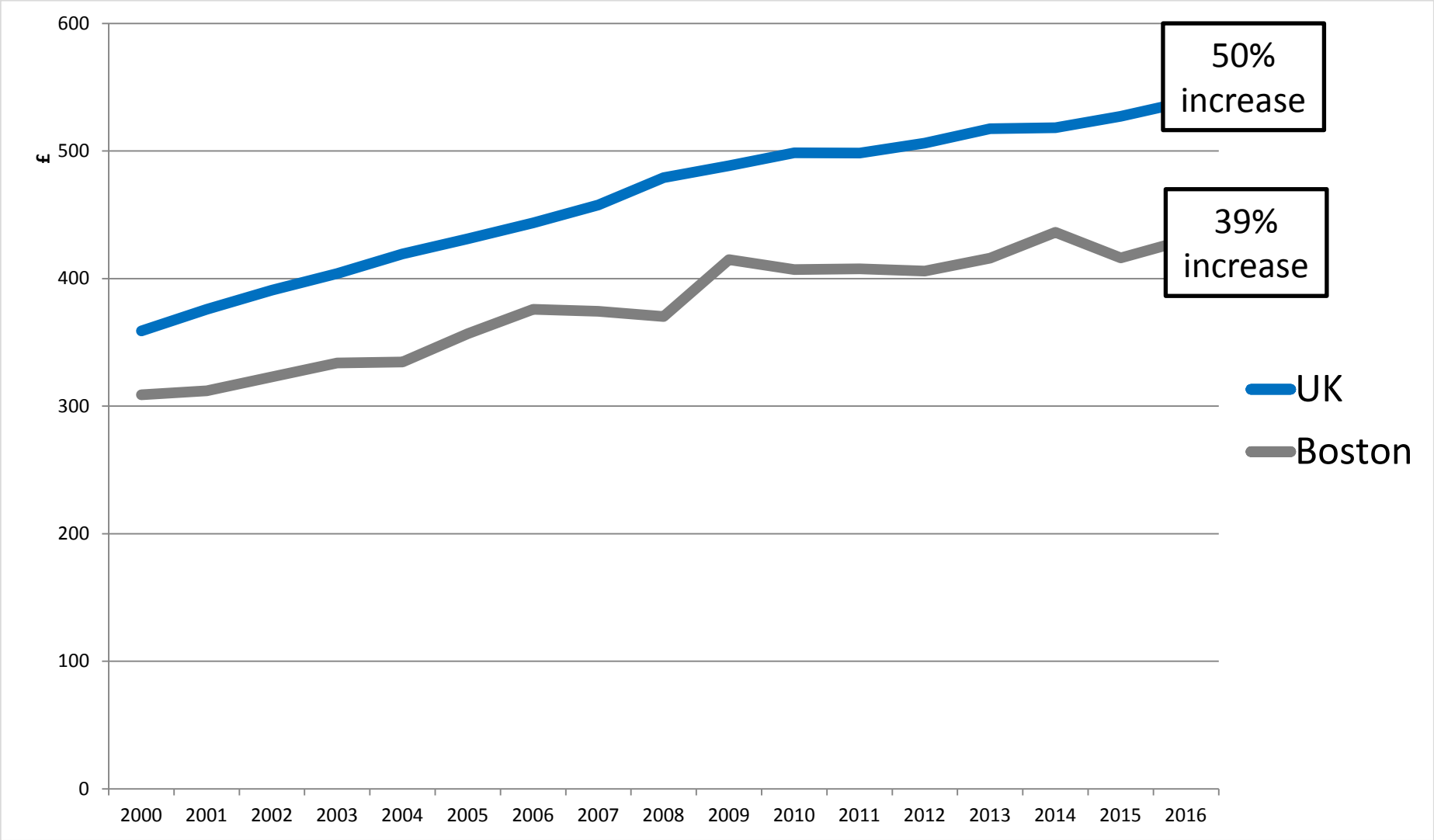
# Employment Rates by Skill Level

| Unit<br>Country | % UK         |             |              |             |              |             |              |             |
|-----------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
|                 | Total        |             | Low          |             | Medium       |             | High         |             |
|                 | Foreign born | Native born | Foreign born | Native born | Foreign born | Native born | Foreign born | Native born |
| 2005            | 68           | 76.8        | 42.6         | 55.3        | 71.2         | 81.2        | 83.6         | 88.7        |
| 2006            | 70           | 76.8        | 44.1         | 54.7        | 72.2         | 80.9        | 85.2         | 88.7        |
| 2007            | 70.6         | 76.8        | 47.1         | 54.7        | 74.7         | 81          | 83.2         | 88.9        |
| 2008            | 71.9         | 76.8        | 48.4         | 51.5        | 73           | 79.1        | 84.1         | 86.4        |
| 2009            | 71.1         | 75.6        | 47.5         | 49.2        | 72.6         | 76.8        | 81.3         | 86          |
| 2010            | 71.2         | 75.3        | 45.7         | 47          | 72.8         | 76.2        | 80.8         | 85.8        |
| 2011            | 71.8         | 75.6        | 47.6         | 46.8        | 73.2         | 75.9        | 78.9         | 85.3        |
| 2012            | 71.3         | 76.4        | 51.5         | 59.5        | 71.1         | 78.3        | 79.8         | 85.6        |
| 2013            | 72.5         | 77          | 53.9         | 60.3        | 73.2         | 78.4        | 79.6         | 86.3        |
| 2014            | 74           | 78.2        | 53.1         | 60.8        | 74.5         | 79.6        | 81.1         | 86.4        |
| 2015            | 74.7         | 78.7        | 55.9         | 61          | 75.2         | 79.9        | 81.2         | 86.8        |

|                         |     |     |      |     |   |      |      |      |
|-------------------------|-----|-----|------|-----|---|------|------|------|
| Percentage point change | 6.7 | 1.9 | 13.3 | 5.7 | 4 | -1.3 | -2.4 | -1.9 |
|-------------------------|-----|-----|------|-----|---|------|------|------|

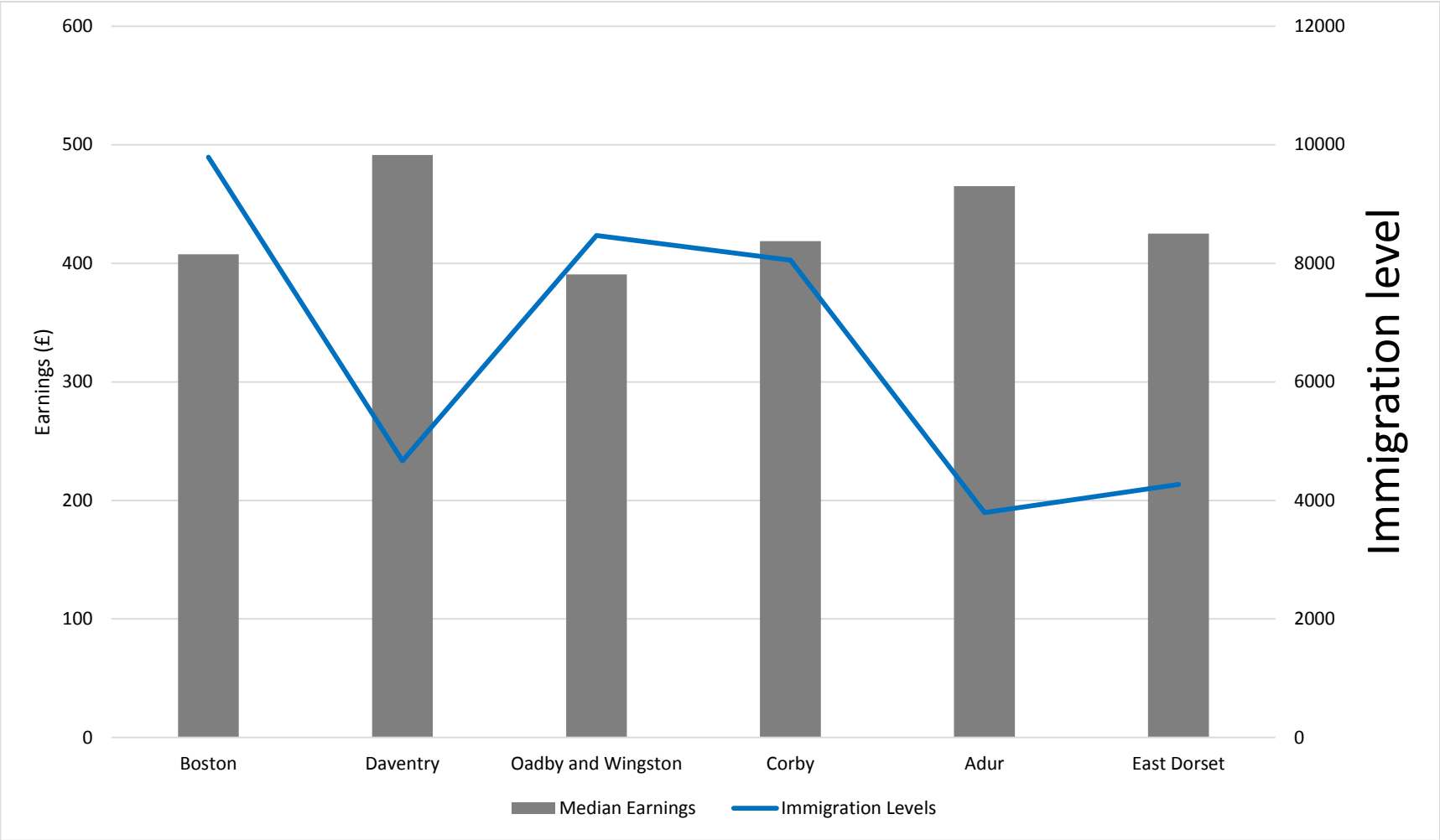
Source: OECD, (2017). 'Employment rates by place of birth and educational attainment (25-64)' 2005-2015 [Accessed 10<sup>th</sup> March 2017].

# Nominal Median Earnings 2000-2016



Source: ONS, (2017a). 'Annual Survey of Hours and Earnings,' 2000-2016 [accessed through NOMIS on 8/03/2017]

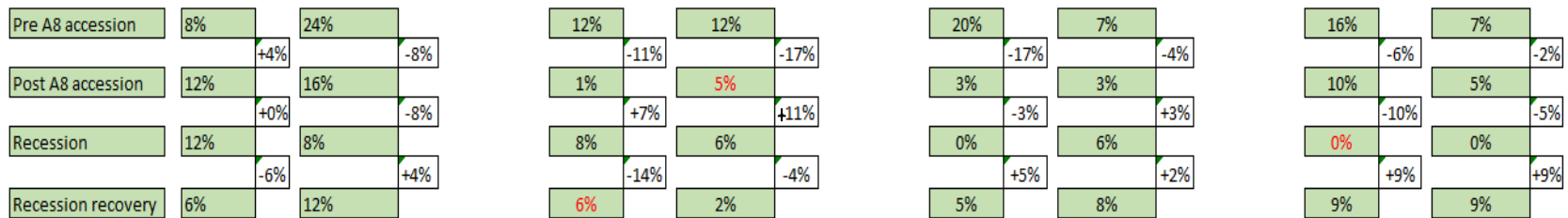
# Median Earnings and Immigration Levels 2011



Source: ONS, (2017a). 'Annual Survey of hours and earnings,' 2000-2016, and ONS, (2017b) 'Census 2011' [accessed from NOMIS on 20/02/2017]

# Median Earnings and Immigration Levels 2011

|                           | Date | Boston |               |                    | Daventry |               |                    | Oadby and Wigston |               |                    | Corby  |               |                    |
|---------------------------|------|--------|---------------|--------------------|----------|---------------|--------------------|-------------------|---------------|--------------------|--------|---------------|--------------------|
|                           |      | Median | 25 percentile | Immigration levels | Median   | 25 percentile | Immigration levels | Median            | 25 percentile | Immigration levels | Median | 25 percentile | Immigration levels |
| Pre A8 accession          | 2000 | 308.8  | 205.7         |                    | 359.1    | 278.6         |                    | 311.3             | 239.8         |                    | 315.8  | 247.5         |                    |
|                           | 2001 | 311.9  | 229.3         |                    | 360.8    | 286.1         |                    | 326.5             | 222.0         |                    | 366.6  | 262.3         |                    |
|                           | 2002 | 322.9  | 236.7         |                    | 381.6    | 294.7         |                    | 337.8             | 247.4         |                    | 366.0  | 266.9         |                    |
|                           | 2003 | 333.8  | 255.1         |                    | 403.8    | 311.6         |                    | 372.4             | 256.1         |                    | 364.8  | 264.4         |                    |
| Post A8 accession         | 2004 | 334.5  | 240.1         |                    | 414.8    | 339.1         |                    | 388.8             | 283.8         |                    | 368.6  | 284.5         |                    |
|                           | 2005 | 356.8  | 243.3         |                    | 437.1    | 348.7         |                    | 372.5             | 271.5         |                    | 365.5  | 287.3         |                    |
|                           | 2006 | 375.9  | 259.6         |                    | 429.5    | 318.9         |                    | 393.8             | 309.3         |                    | 387.0  | 284.8         |                    |
|                           | 2007 | 374.3  | 278.8         |                    | 418.5    | 323.0         |                    | 402.2             | 291.3         |                    | 403.9  | 297.4         |                    |
| Recession                 | 2008 | 370.2  | 288.4         |                    | 422.5    | 294.9         |                    | 392.0             | 279.0         |                    | 428.4  | 329.9         |                    |
|                           | 2009 | 414.9  | 311.7         |                    | 456.7    | 313.2         |                    | 393.9             | 296.2         |                    | 426.7  | 330.0         |                    |
| Recession recovery        | 2010 | 407.0  | 297.3         | 9790               | 495.8    | 347.5         | 4666               | 422.3             | 312.4         | 8470               | 437.2  | 335.7         | 8052               |
|                           | 2011 | 407.7  | 315.9         |                    | 491.4    | 357.1         |                    | 390.7             | 279.2         |                    | 418.8  | 328.9         |                    |
|                           | 2012 | 405.8  | 319.5         |                    | 468.6    | 330.7         |                    | 405.9             | 281.6         |                    | 424.0  | 329.7         |                    |
|                           | 2013 | 415.9  | 317.3         |                    | 490.2    | 352.1         |                    | 416.9             | 286.5         |                    | 436.7  | 328.7         |                    |
|                           | 2014 | 436.3  | 312.2         |                    | 490.3    | 345.4         |                    | 414.5             | 310.6         |                    | 460.0  | 341.1         |                    |
|                           | 2015 | 416.2  | 298.2         |                    | 471.7    | 360.8         |                    | 426.3             | 307.5         |                    | 468.3  | 363.0         |                    |
|                           | 2016 | 430.4  | 333.9         |                    | 464.7    | 356.1         |                    | 444.1             | 336.1         |                    | 476.4  | 364.3         |                    |
| Total Percentage increase |      | 39%    | 62%           |                    | 29%      | 28%           |                    | 43%               | 40%           |                    | 51%    | 47%           |                    |



Source: ONS, (2017a). 'Annual Survey of hours and earnings,' 2000-2016, and ONS, (2017b) 'Census 2011' [accessed from NOMIS on 20/02/2017]

# Conclusion



# Conclusion

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- **Growth** in employment levels; **displacement** effects difficult to prove
- Boston identified as a '**low-skilled, low-pay**' labour market; prone to slow growth in earnings
- **Five** similar regions
  - Differing levels of **immigration**
  - Similar adverse effects from the **recession**
  - No clear indication that high **immigration** levels are associated with slow growth in **wages** resulting from the **EU enlargement**
- The **nature** and **characteristics** of 'low-pay, low-skill' which attract migrants should be considered as a key influencer in **wage determination**.

# Future Research

## Future research and Policy Recommendations

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- Outcomes of BREXIT
- Incorporating non EU migration into analysis
- Investment in training and education for low-skilled natives
- Reviewing outcomes of policies for low-skilled workers

Thank You