Effects of Immigration on a variety of economic metrics

# Papers Analysed

1. [House of Lords Select Committee on Economic Affairs: Immigration Report 2007-8](https://publications.parliament.uk/pa/ld200708/ldselect/ldeconaf/82/82.pdf)

# GDP

## House of Lords Select Committee on Economic Affairs: Immigration Report 2007-8

1. Figures from the Treasury suggest that immigration has contributed £6bn to the economy **[*in 2006*** – P62**].** Further figures from the Treasury also suggest that immigration contributed about 15-20% to output growth from 2001-6.

# GDP per capita

## House of Lords Select Committee on Economic Affairs: Immigration Report 2007-8

1. **GDP per capita is an imperfect measurement of the impact of immigration on the pre-existing population**. This is because you are including the immigrant within the calculation, which will distort it based on the income level they receive while working. Consequently, they should focus exclusively on the per capita income of the resident population before and after migration.
   * For example, a high-earning immigrant could move to the UK, increasing GDP per capita even if they do not raise the living standard of the pre-existing residents.
2. Using 2005 as the baseline, the National Institute of Economic and Social Research (NIESR) estimated that migration from A8 nations (newer eastern European additions to the EEA) would have a **negative effect on GDP per capita in the short run** (first four years) and a **positive but small impact on GDP per capita in the long run** (0.3% higher than base year by 2015).
   * According to NIESR, the initial negative effect is due to an increase in unemployment and a slow adjustment of capital stock in response to immigration. The long-term positive effect reflects the relatively high proportion of working-age immigrants and the increase in the capital stock.
3. According to the ITEM Club, **the impact of the most recent wave of immigration on GDP per capita has been neutral or even slightly negative**. The Scottish Executive said **the impact on GDP per capita has been “generally minimal”**.
4. As an overall conclusion, the Select Committee underscores that **positive net migration has very small impacts on GDP per capita**. They also add that this conclusion is in line with studies in other countries, such as the USA.
   * Initial thoughts:
     + This information by itself is incomplete. As stated in P50, GDP per capita is an imperfect measurement of the impact of migration. If we assume that migrants to the UK earn below average wages, it wouldn’t be unreasonable to assume that a constant GDP per capita post-migration could mean a rise in GDP per capita for the pre-existing population.

# Wage levels

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1. Examining impacts of wages on migration levels is difficult due to problems of endogeneity. Also, a higher percentages of migrants moving to an area may cause migrants to emigrate to other parts of the country, which may dissipate its effects. Finally, available migration data may be subject to small sample bias.
2. The most recent study done suggests that **immigration has a positive absolute wage effect for natives, but lowers the wages of those employed in the lowest paid jobs**.
3. Blanchflower suggests that **there is some evidence to suggest A8 workers lowered wage increases amongst the least skilled but the effects are not enormous. In general, most analytic institutions are worried about effects on the lowest-paid individuals**.
4. **Fear of job loss due to incoming migrants may lead to lower wage settlements among residents**, dampening wage growth. **Wage growth slowed in both the UK and Ireland despite booming economies** – Blanchflower attributed this to that fear.
   * What about wage growth in other non-A8 EU countries?
5. **Many groups which may be negatively affected by immigration are potentially previous immigrants and ethnic minorities**. Slough Council said that many Pakistanis felt their jobs were being lost to new incoming Polish immigrants who are higher skilled and prepared to work for lower wages.
6. **The minimum wage potentially played a role in shielding low-paid workers in the UK from more adverse impacts of immigration**. Although the minimum wage is believed to be generally enforced, the Low Pay Commission (LPC) recommended the Government investigate its enforcement in sectors which typically employ migrants.

# Unemployment

## House of Lords Select Committee on Economic Affairs: Immigration Report 2007-8

1. **A DWP study analysed the impact of A8 workers on the Jobseeker’s Allowance claimant rate among citizens and found no discernible impact**.
   * Since this is the claimant rate among *citizens*, it is likely not influenced by the increased population due to migration.
2. **Another Professor argued that any impacts of migration on unemployed it is “statistically poorly determined and probably small in size”.**
3. Dr. Rebecca Riley of NIESR questioned whether such a strong conclusion could be drawn from the study as it did not take into account emigration of resident workers nationally or abroad in response to immigration. **Analysis from NIESR simulation models suggests immigration increases unemployment in the short term, with close to zero effect in the long term.**
   * This section excuses lack of empirical evidence while another section criticises it. A simulation model is used as evidence to the contrary here, whereas earlier in P69, they “found no systematic empirical evidence to suggest that net immigration creates significant dynamic benefits”. These conclusions both lack ‘systematic empirical evidence’ but that is only pointed out in P69.
4. Professor Rowthorn argued that statistically insignificant does not mean small: the effects found were relatively large but statistically insignificant.
   * This seems very inappropriate to include. Even if the effects found were relatively large, their statistical insignificance means that there is still a good chance they could be neutral or even positive.
5. Youth unemployment could suffer from immigration. The youth labour participation rate dropped from 69.4% to 67.4% from 2004 to 2007-8. The Royal Society of Edinburgh noted that a high proportion of A8 migrants were under 24 years old.
   * This is clear abuse of statistics. How large was this “high proportion”? Are there any other factors that could affect youth labour participation? So many incomplete questions are being posed here while only a fraction of the evidence available is given – this paragraph seems highly loaded. We don’t even know what the previous trends on youth unemployment were. This is what econometrics is for.