

<b>Institution: University College London</b>
<b>Unit of Assessment: 18 – Economics and Econometrics</b>
<b>Title of case study: Influencing policy debate on immigration and its impacts on the UK</b>
<p><b>1. Summary of the impact</b> (indicative maximum 100 words)</p> <p>Research at UCL provided the primary analysis of the effects of immigration on wages and the fiscal costs and benefits of A8 migration to the UK. These provided important and ongoing contributions to policy and media debates in the UK, as demonstrated by citations in key debates and policy documents in both Houses of Parliament, in commissioned studies and in the financial press. As a result, research successfully put facts and figures on immigration into a highly emotional and partisan debate.</p>
<p><b>2. Underpinning research</b> (indicative maximum 500 words)</p> <p>Research on the effects of immigration on the UK economy conducted between 2007 and 2009 was led by Professor Christian Dustmann at the Centre for Research and Analysis of Migration (CReAM), at UCL. This work has focused on two strands: the effect of immigration on wages in the host country, and the fiscal consequences of immigration.</p> <p>In 2007, we were commissioned by the Low Pay Commission (LPC) to research the implications of immigration for the setting of the minimum wage in the UK. The resulting report [a] was written by Dustmann and Ian Preston (also Professor of Economics at UCL and CReAM) and Tommaso Frattini (then a PhD student). At the time, the debate on immigration, and the existing conceptual and empirical models focused either on the overall wage effects of migration or the effects on particular skill groups. However, for the LPC, what was of interest was how immigration affected native wages <i>at the low end of the wage distribution</i>, particularly the 5th percentile, where the minimum wage is more likely to be binding.</p> <p>We developed novel theory and conceptual work and a new empirical framework for the estimation of these effects, with several key innovations. The academic paper emerging from this research [b] was published in 2012. We found that over the period studied (1997–2005) immigration to the UK contributed positively to average wage growth of UK-born workers. However, while benefiting workers in the middle and upper part of the wage distribution, it put downward pressure on wages of workers at the bottom of the distribution. Over the period considered, our estimates suggested that immigration held wages back by 0.7p per hour at the 10th percentile but contributed about 1.5p per hour to wage growth at the median and slightly more than 2p per hour at the 90th percentile.</p> <p>As a response to an ongoing academic and public debate on the fiscal cost of A8 migration (i.e. from countries who joined the EU in 2004) to the UK, which was based on no factual evidence, Dustmann, Frattini and Caroline Halls (an MSc student and Research Assistant at CReAM) began research on this issue in 2009, which resulted in a paper published in <i>Fiscal Studies</i> in 2010 [c]. That same year, it became part of a research report for the Migration Advisory Committee (MAC) [d]. We found that:</p> <ul style="list-style-type: none"> <li>- A8 immigrants who arrived after EU enlargement in 2004, and who have at least one year of residence – and are therefore legally eligible to claim benefits – are about 60% less likely than natives to receive state benefits or tax credits, and to live in social housing.</li> <li>- Comparing the net fiscal contribution of A8 immigrants with that of individuals born in the UK, in each fiscal year since enlargement in 2004, A8 immigrants made a positive contribution to public finance.</li> <li>- In the latest fiscal year, 2008–09, A8 immigrants paid 37% more in direct or indirect taxes than was spent on public goods and services that they received. We also showed that on average, A8 workers have a better educational background than UK-born workers, but</li> </ul>

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receive lower wages, especially in the period immediately after coming to the UK.

### 3. References to the research (indicative maximum of five references)

[a] Christian Dustmann, Tommaso Frattini and Ian Preston: 'A Study of Migrant Workers and the National Minimum Wage and Enforcement Issues that Arise', Report for the Low Pay Commission (March 2007) Available at: <http://discovery.ucl.ac.uk/14329/1/14329.pdf>.

[b] Christian Dustmann, Tommaso Frattini, and Ian Preston: 'The Effect of Immigration along the Distribution of Wages', *Review of Economic Studies*, 2013, 80, pp. 145–173. DOI: [10.1093/restud/rds019](https://doi.org/10.1093/restud/rds019).

Top 5 academic journal in economics.

[c] Christian Dustmann, Tommaso Frattini and Caroline Halls: 'Assessing the Fiscal Costs and Benefits of A8 Migration to the UK', *Fiscal Studies*, 2010, 31, pp. 1–41. DOI: [10.1111/j.1475-5890.2010.00106.x](https://doi.org/10.1111/j.1475-5890.2010.00106.x)

Journal publishing leading policy pieces in economics.

[d] Christian Dustmann and Tommaso Frattini: 'Can a framework for the economic cost-benefit analysis of various immigration policies be developed to inform decision making and, if so, what data are required?', Report for the Migration Advisory Committee (MAC), December 2010. <http://www.ukba.homeoffice.gov.uk/aboutus/workingwithus/indbodies/mac/mac-research/>.

The quality of research is demonstrated by publications [b] and [c] in major peer-reviewed journals.

### 4. Details of the impact (indicative maximum 750 words)

Research on the impact of immigration on public finances [c] filled a perceived gap in public knowledge and also led to significant influence on public debate in the UK. Public debate on immigration is often highly emotional and partisan: by providing undisputed evidence and clear figures on the effects of immigration, the research challenged unfounded claims and meant that interest groups had to engage with the evidence, thus influencing the tone and nature of the public debate. The importance of this debate is exemplified by the dispute in the months running up to the full access of Bulgarians and Romanians to the EU labour market starting from January 2014, and the impact that may have on UK public finances. Previously, no work existed that had examined the impact of A8 immigration on UK public finances since 2004, and the debate was dominated by anecdotes and best guesses, often vastly exaggerating the burden that A8 migration imposed on the public purse. Our work [c] changed that debate by providing well-researched evidence that could not be (and has not been) disputed. The results of the research have been referred to both in discussion within the broader media and in House of Commons debates, as the only conclusive evidence on the fiscal impact of A8 immigration (see e.g. [6]).

The methodological innovations and empirical plausibility of our results led to the work [a, b] being more broadly influential in policy discussion regarding the economic impact of immigration in the UK. The research thus provided an important challenge to conventional wisdom, and has been frequently cited in policy debate. As the sole source of factual evidence on the effects of immigration on wages and fiscal impact of immigration, the research has been cited by government bodies and in various policy documents, Parliamentary debates and inquiries, and the media.

#### Impact on government bodies

The work in question relating to labour market impact [a], though subsequently developed and published in a leading academic journal [b], was initially commissioned for the specific purpose of advising the Low Pay Commission (LPC) on implications of migration for the setting of the minimum wage. Our work addressed these key questions by developing new methodology to analyse the impact of migration around the 5th percentile of the wage distribution, around where the minimum wage is set.

As the LPC's Chief Economist confirms, this research provided important insights that aided the

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commission when setting the minimum wage in 2007. Specifically, it “re-assured Commissioners that minimum wage was providing an effective floor in the face of major changes to the labour market as a result of increases in migration ... and continues to influence the decisions of Commissioners” [1]. Concern about the impact of recent increases in migration was a theme noted in earlier reports and specifically addressed by the commissioned research [2], feeding, along with other commissioned research, into the decision to recommend a rise in the minimum wage from £5.35 to £5.52 in October 2007, affecting an estimated 1.3 million low-paid workers in October 2007 to October 2008.

More recently, the most important and influential official investigation into the impact of immigration on the UK economy conducted under the Coalition government was the January 2012 report of the Migration Advisory Committee [6], which, again, refers repeatedly to the research in that report [a]. The research is now widely recognised as the only informed source of knowledge on this particularly important aspect of immigration policy, and led to the commissioning of a further report [d] to inform the Migration Advisory Committee publication mentioned above [6].

### Influence on Select Committee inquiry and Parliamentary debate

A report for a House of Lords Select Committee inquiry into the economic effects of immigration was published in April 2008 [3]. This was the first comprehensive examination into the way immigration has impacted on the UK economy and its citizens. It drew together all the existing empirical evidence and interviewed a large number of experts on the subject and significantly influenced the debate on migration in the years to come [4]. This referred repeatedly to [a, c] above (7 times to [a] and 7 times to [c]), as well as evidence Dustmann and Preston were invited to give to the Select Committee the preceding October. It noted our finding of an overall positive wage effect but also the lowering of wages in the lowest paid jobs. The report also recognised the finding from earlier work that “if there is an impact of immigration on unemployment then it is statistically poorly determined and probably small in size.” Indeed, our work on migration figures prominently in the evidence on which the report was based [3] and in the Government’s response [5], and it greatly enhanced the impact of our findings on the effects of immigration on the public and policy debate.

The research has figured in debates within the House of Commons in relation to the minimum wage and cited, for example, by the then Secretary of State for Business, Enterprise and Regulatory Reform to answer questions in 2008 on the impact of immigration on wages [7]. It has been recognised as the leading research allowing assessment of the impact of immigration on the GDP per capita of the native population. For instance, the then Home Office minister with specific responsibility for migration, Liam Byrne MP, referred to the work [a] in the House of Commons in April 2008 as “the one good report in this area” [8]. In his oral evidence to the House of Lords Economic Affairs Committee in June 2008, referred to an estimate, based on the report [d], that migration contributed 0.15% per annum to the GDP per capita of the native population [4], a number described as “small, but ... not insignificant”.

### Impact on the media

The research described in section 2 remains the primary analysis of the effects of immigration, both on wages and on public finances. As a result, it has played a central role in informing media coverage of this issue, particularly in the financial press. Examples may be found through the impact period, and the research in [c], particularly, saw renewed interest in 2012–13 in the run-up to allowing Bulgarians and Romanians into the UK labour market. Indicative examples of media coverage are:

- the *Independent* described the net benefits of immigration (July 2009) [9].
- Petros Fassoulas in the *New Statesman* used the research to argue that immigration is a boon for society (January 2009) [10]; 24,910 circulation.
- Tim Harford in the *Financial Times* cited research as evidence of the net contribution A8 immigrants have made to the public purse (March 2013) [11]; 393k daily print and web readers.
- Brian Groom in the *Financial Times* cited the wages study as evidence of the negligible

effects on wages (March 2013) [12]; 393k daily print and web readers.

**5. Sources to corroborate the impact** (indicative maximum of 10 references)

[1] Statement provided by LPC Chief Economist is available on request.

[2] National Minimum Wage, Low Pay Commission Report 2007, Cm 7056,  
[http://webarchive.nationalarchives.gov.uk/20130708092709/http://lowpay.gov.uk/lowpay/report/pdf/6828-DTi-Low\\_Pay\\_Complete.pdf](http://webarchive.nationalarchives.gov.uk/20130708092709/http://lowpay.gov.uk/lowpay/report/pdf/6828-DTi-Low_Pay_Complete.pdf).

[3] House of Lords Select Committee on Economic Affairs, 1st Report of Session 2007–08, “The Economic Impact of Immigration”, Volume I: Report (April 2008) Available at:  
<http://www.publications.parliament.uk/pa/ld200708/ldselect/ldeconaf/82/82.pdf>.

[4] Examples of the use of the Lords report [3] in recent years include: The Telegraph on 1 April 2008: <http://www.telegraph.co.uk/news/uknews/1583500/Limit-immigration-warns-House-of-Lords.html>; Political Thoughts (magazine) on 31 December 2010: <http://pol-check.blogspot.com/2010/04/benefits-of-immigration-to-uk-economy.html>; and cited in debates in blogs such as in comments to a blog by Kenan Malik on 30 March 2013 (<http://kenanmalik.wordpress.com/2013/03/30/the-framing-of-immigration/>).

[5] The Government Reply To The First Report From The House Of Lords Committee On Economic Affairs Session 2007–08 HI Paper 82. (June 2008)  
<http://www.official-documents.gov.uk/document/cm74/7414/7414.pdf>.  
 (see also supplementary memorandum  
<http://www.publications.parliament.uk/pa/ld200708/ldselect/ldeconaf/82/8011506.htm>).

[6] Migration Advisory Committee – Analysis of the Impacts of Migration, January 2012  
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/27-analysis-migration/01-analysis-report/analysis-of-the-impacts>, especially Section 4 and 5.8

[7] Commons Debate (April 2008), Rt Hon Mr P. McFadden, Secretary of State for Business, Enterprise and Regulatory Reform,  
<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080430/text/80430w0034.htm>.

[8] Commons Debate – Daily Hansard (April 2008), Rt Hon Mr L. Byrne, Minister of State for Borders and Immigration,  
<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080424/debtext/80424-0012.htm>.

[9] “EU migrants ‘good for UK economy’”, The Independent, 24 July 2009:  
<http://www.independent.co.uk/news/uk/home-news/eu-migrants-good-for-uk-economy-1759279.html>.

[10] Petros Fassoulas, “Immigration is boon for society, and the EU should be praised for encouraging it”, New Statesman, 17 Jan 2013  
 Available at: [http://cream-migration.org/files/NewStatesman\\_17Jan2013.pdf](http://cream-migration.org/files/NewStatesman_17Jan2013.pdf). Print circulation in second half of 2012: <http://www.theguardian.com/media/2013/feb/14/new-statesman-sales-private-eye>.

[11] Tim Harford, “A Simple Rule about Migrants and Benefits”, Financial Times, 9–10 March 2013  
<http://www.ft.com/cms/s/0/45120e10-869d-11e2-b907-00144feabdc0.html#axzz2h6WgcZlx>. Daily online and print readership for 2012–2013 from NRS-PADD: <http://www.nrs.co.uk/nrs-data-tables/>.

[12] Brian Groom, “Migration shown to have low impact on jobs”, Financial Times, 13 March 2013  
<http://www.ft.com/cms/s/0/0d86e3aa-8bff-11e2-8fcf-00144feabdc0.html>. Daily online and print readership for 2012–2013 from NRS-PADD: <http://www.nrs.co.uk/nrs-data-tables/>.