

<p>Institution:</p> <p>Royal Holloway, University of London</p>
<p>Unit of Assessment:</p> <p>C18 - Economics & Econometrics</p>
<p>Title of case study:</p> <p>The Impact of Immigration on the Labour Market</p>
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>A new methodology has been developed that enables a more flexible approach to understanding the effects of immigration on the labour market and the native-born labour force. The key finding is that the effect of immigration on wages and employment depends on the extent of the substitutability between immigrant and native born labour. This substitutability differs at different skill levels, so that immigration has a greater effect on unskilled native born workers. This new methodology's findings have informed the debate over labour market effects and have influenced the development of related policies by Government and other key stakeholders.</p> <p>The evidence produced by Professor Wadsworth's research directly <i>has shaped or influenced policy made by government</i>. In particular, the research has been used as input into several key policy recommendations made by the Home Office sponsored Migration Advisory Committee (MAC) (of which Wadsworth is a member) to inform the coalition government's declared aim of achieving a reduction in the levels of net migration in the current parliament to the tens of thousands. The research has been cited by numerous stakeholders in the debate on the impact of rising immigration on the labour market. There are numerous examples of <i>citations in a public discussion, consultation document or judgement</i>.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>Wadsworth has been at Royal Holloway since 1996. We focus on Wadsworth's academic publication Manacorda, Manning and Wadsworth (2012) (publication 1). The first version of this publication was produced as a discussion paper in 2006 (publication 2) with the research evolving and carrying on in the following years until the publication of the final article.</p> <p>By the mid-2000s, 12% of the working age population had been born overseas, up from the 7.5% share observed at the end of the last recession in 1993. The rising level of immigration has stimulated renewed interest among policy makers and academic researchers concerned with the effects of immigration, with the impact of immigration on labour market outcomes being a particularly controversial issue. The research (publications 1 & 2) addressed a key puzzle in the analysis of the UK Labour market, which was that despite the large increase in immigration into the UK in recent decades, which generated an increase in the labour supply and so potentially more competition for jobs, the data seemed to show only a small effect of immigration on the wages of the native labour force.</p> <p>The research proposed a new methodology: a skill-cell correlation approach, which allowed for the</p>

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possibility of imperfect substitution between native born labour and foreign born labour, so that, theoretically, migrants could increase as well as decrease the wage rate of native born workers and have differential effects on native born workers dependent on their skill levels.

This was a much more flexible approach than had been used hitherto and was able to provide new insights into the empirical analysis of the effects of immigration on the labour market. The research was able to decompose the average wage effects of immigration into differing effects across different skill levels, and showed how immigration can affect the wage structure even when the average wage does not change a great deal.

The key findings of the research are that (a) on average overall immigrants are not perfect substitutes for native-born labour meaning that it is possible for increased immigration not to affect the wages and employment of native born labour, essentially meaning that migrant and native labour do not necessarily compete for the same jobs. However this overall finding obscures the fact that (b) less skilled immigrants are much closer substitutes for unskilled natives than skilled immigrants are for skilled natives. This means that any adverse labour market effects of rising immigration are likely to be found among the less skilled native-born labour force.

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

1. Manacorda, M, Manning A., and J. Wadsworth (2012). "The Impact of Immigration on the Structure of Wages in Britain", *Journal of European Economic Association*, Vol. 10, Issue 1, pp. 120-151.
2. Manacorda, M, Manning A., and J. Wadsworth (2006). "The Impact of Immigration on the Structure of Wages in Britain," IZA Discussion Paper No. 2352:
http://www.iza.org/en/webcontent/publications/papers/viewAbstract?dp_id=2352

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

Wadsworth's research has influenced policy made by government and quasi-government bodies. Successive governments have tightened up immigration of unskilled labour while forming policies to assess skill shortages. This is shown by:

- i. Wadsworth is a member of the Home Office sponsored Migration Advisory Committee (MAC), a position he has held since 2007. This is the public body set up specifically to advise the government on migration issues.
- ii. Wadsworth's research (as outlined above) is cited and used in the MAC reports advising the Home Office on:
 - The formulation and establishing of the Home Offices skill shortage list for the UK and for Scotland - now used as a determinant of entry for skilled migrants from outside the EU (sources 1i & 1ii).
 - The effect of relaxing restrictions on employment of A2 nationals (1iii).
 - The labour market effects of immigration (source 1iv).
- iii. The reach of the MAC reports, including the fact that it was cited by a government minister. Home Office Minister Damian Green commenting on source 1i said "uncontrolled immigration can put pressure on public services, on infrastructure and on community relations.....This report makes clear that it can also put pressure on the local labour market." (source 2)

The research has also fed the debate over the labour market effects of immigration and there are numerous examples of it being cited in the public discussion by key policymakers and stakeholders. The underpinning research itself has been cited and discussed, for example, by *The Department of Work & Pensions* research on the effects of Immigration in the Labour Market (source 3i), *The Low Pay Commission's* concern with the effects of immigration and the National Minimum wage (source 3ii), and the *House of Lords Select Committee on Economic Affairs* investigation into the economic impacts of immigration (source 3iii). The *Local Government Association* used the research to motivate its own analysis of the effects of the downturn on the demand for migrant labour (source 3iv). It is also noteworthy that influential think tanks on both sides of the immigration debate, citing the underpinning research including *the Migration Policy Institute* (source 3v), *The Migration Observatory* (source 3vi), the *Work Foundation* (source 3vii), the *IPPR* (source 3viii) and the *Information Centre about Asylum and Refugees* (source 3ix). Outside the UK, the New Zealand government cited the paper in its own study of the labour market impacts of immigration (source 3x).

The impact in terms of public discussion of Wadsworth's research is further demonstrated by the fact that he was invited to speak about and discuss the migration work of the MAC at a *World Bank* sponsored workshop in Moscow ("Domestic Labor Shortages, Foreign Labor Demand, and the Recruitment of Workers in Russia - Lessons from Host Country Experiences toward a Future Work Program," Moscow, 19-20 June 2012) where members of the Commonwealth of Independent States were interested in adopting institutions that will encourage skilled migration and manage less skilled migration. He has also been invited to speak at an ESRC China Academy Social Sciences workshop (presenting "Immigration and the UK Labour Market", at the "Migration & Labour Markets" workshop, Beijing, 8-9 June 2009), a Greater London Authority workshop (presenting "Immigration and the Recession" at "The Impact of Immigration on London" workshop, June 16th 2009), and a Westminster Legal Policy Forum in London (presenting "View from the Migration Advisory Committee" at keynote seminar: "Immigration – assessing the impact on new legislation" (Source 4)

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

1. Management Advisory Committee Reports corroborating Wadsworth's membership and use/citation of his research outputs:
 - i. "Skilled, Shortage, Sensible. The recommended shortage occupation lists for the UK and Scotland", September 2008:
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/first-lists/0908/shortageoccupationlistreport?view=Binary>
 - ii. "Skilled, Shortage, Sensible. First Review of the recommended shortage occupation lists for the UK and Scotland", Spring 2009.
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/first-review-lists/0409/mac-skilled-shortage-list-2009?view=Binary>
 - iii. "Review of the transitional restrictions on access of Bulgarian and Romanian nationals on the UK Labour Market", November 2011.
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/-restrictions-worker1/>
 - iv. "Analysis of the Impacts of Migration", January 2012, COI 289226, ISBN: 978-1-84726:.
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/>

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2. BBC coverage of publication of Source 4 demonstrating impact upon the public discussion of immigration issues. Features a quote from Home Office Minister, Damian Green, commenting upon the MAC's findings: <http://www.bbc.co.uk/news/uk-16484918>
3. The following reports from Government agencies and external think-tanks each cite and/or discuss Wadsworth's underpinning research:
 - i. Lemos, S. And Portes, J., (2009), "The impact of migration from the new European Union Member States on native workers": Department of Work and Pensions.
<http://webarchive.nationalarchives.gov.uk/20130314010347/http://research.dwp.gov.uk/asd/asd5/wp52.pdf>
 - ii. "A Study of Migrant Workers and the National Minimum Wage and Enforcement Issues that Arise", Report to the Low Pay Commission <http://www.ucl.ac.uk/~uctpb21/reports/LPC.pdf>
 - iii. House of Lords (2008), "The Economic Impact of Immigration. Volume II: Evidence", Select Committee on Economic Affairs, April
<http://www.publications.parliament.uk/pa/ld200708/ldselect/ldeconaf/82/82ii.pdf>
 - iv. Local Government Association (2009), "The Impact of Recession on Migrant Labour":
http://www.partnershipdevelopmentproject.org.uk/The_impact_of_the_recession_on_migrant_labour1.pdf
 - v. Migration Policy Institute, (2009), "Immigration and the Labour Market", report to the Equalities and Human Rights Commission:
<http://www.migrationpolicy.org/pubs/Immigration-and-the-Labour-Market.pdf>
 - vi. Migration Observatory (2011), "The Labour Market Effects of Immigration":
http://www.migrationobservatory.ox.ac.uk/sites/files/migobs/Briefing%20-%20Labour%20Market%20Effects%20of%20Immigration_0.pdf
 - vii. "Migration Myths: Employment, Wages and Labour Market Performance", The Work Foundation,
http://www.theworkfoundation.com/assets/docs/publications/33_migration%20myths.pdf
 - viii. IPPR (2009), "The Economic Impacts of Migration on the UK Labour Market", Economics of Migration Working Paper No. 3:
<http://m.ippr.org/publication/55/1678/the-economic-impacts-of-migration-on-the-uk-labour-market>
 - ix. ICAR (2008) "Navigation guide : Employment issues for refugees and asylum seekers in the UK", [http://www.icar.org.uk/employmentguide_24_07_2008%20\(2\).pdf](http://www.icar.org.uk/employmentguide_24_07_2008%20(2).pdf)
 - x. "The Impact of Immigration on the Labour Market Outcomes of New Zealanders", IMSED Research paper, New Zealand Department of Labour
<http://www.dol.govt.nz/publications/research/impacts-labour-market-outcomes/impacts-labour-market-outcomes.pdf>
4. An example of Wadsworth's impact upon public discussion of migration policy is his invitation to speak at "The View from the Migration Advisory Committee", Westminster Legal Policy Forum, London, March 23 2011.
<http://www.westminsterforumprojects.co.uk/forums/event.php?eid=230>