Why the cap won't fit: Global migration realities 2010–2050

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Executive Summary

Migration is a subject that continues to trouble both politicians and the public, and the issue has become particularly emotive since the recent financial crisis. The announcement of a temporary cap on net migration by the Coalition government in June 2010 is the latest in a series of measures to restrict entry to the UK.

The cap, which is due to become permanent in spring 2011, has attracted criticism from sections of the business community, academics, migration NGOs, and think tanks. The criticism has focused primarily on immediate impacts on the economy and, to a lesser extent, on social cohesion.

The objective of this report is to bring a longer-term and global perspective to these discussions by considering the major shifts in regional economic power, demographics and the labour market as well as the challenge of climate change between now and 2050. It asks whether, given these dynamics, the cap is a sensible policy measure.

Long-term modelling of migration supply to the UK

To understand the likely impact of the cap, it is important to have an understanding of the realities of migration supply and the way this interacts with UK and source-country needs.

Research has consistently found an inverted u-shaped relationship between country development stage and emigration levels – that is, as a country develops, emigration initially takes off until the difference in wages and living standards between home and source countries significantly shrinks. After this stage, emigration declines, but does not return to pre-development levels. The UK, for instance, has an emigrant stock equivalent to 9.2 per cent of the population, higher than most developing countries.

Using this empirical relationship, alongside forecast trends in GDP growth, this report calculates possible patterns of emigration between 2010 and 2050 for a selection of current UK source countries under four different economic scenarios, including ‘business as usual’, a double dip recession, slower growth in developing countries and a global depression.

Under the ‘business as usual’ scenario the analysis shows that:

- A number of countries, such as India and China, will continue to see increases in emigration, but the numbers will decline as income levels in these countries begin to approach those of developed countries.

- Poorer countries, like Bangladesh, will continue to see increases in emigration up to 2050.

In aggregate, the modelling finds that:

- By 2035, immigration supply from current source countries is likely to decline.

This ‘peak’ has significant implications. It happens at the same time that there is projected to be increased need for labour flows to several developed countries, including the UK, due to an ageing population. In this situation there may be competition between developed nations to attract migrants. *A restrictive migration regime in the short term may compromise the UK’s ability to attract migrants when it needs them most.*

This competition among developed nations for migrants will be compounded by the rise of countries such as India, China and Brazil. It is likely that the development in these countries will divert migrants away from the UK.

Although it is recognised that patterns of development transitions are vulnerable to economic catastrophe and political upheaval, as well as the impact of other shocks such as climate change, these findings provide an insight into a changing economic global context in line with the best available data. The findings thus have major implications for migration policy, and in particular cast further doubts over the ability of a cap to prepare the UK for an increasingly globalised world in which there are several economic superpowers.

The implications for developing countries are linked to impacts on development pathways and the way migration flows are managed. Existing concerns, such as brain drain and the role of remittances, have to be tackled to ensure that emigration has favourable outcomes for developing countries.

Four principles to inform migration policy

To counteract these, and other UK-focused concerns, the report recommends that four principles inform migration policy:

- ***Principle 1: Migration policy should be set with due consideration to long-term trends.*** Ensuring that the outcomes from migration are positive requires attention not just to what happens today or in the lead-up to the next election, but a consideration of what is likely to occur over the longer term. These include changes on the supply-side – such as the economic transitions modelled in this report – but could also be demand-side factors, such as demographic change and skill shortages.
- ***Principle 2: Migration policy needs to be understood and pursued within its globalised context.*** Migration is, by its very nature, an international phenomenon linked to global inequality. Its causes and effects extend beyond national borders. Outcomes for both host and source countries will be better when it is understood as such, and policy achieves a joining up of development and migration objectives.

- ***Principle 3: Effective management of migration – where this relates to impacts on host and source countries – needs to be a key focus.*** The effects of migration on a host or source country are not an inevitable product of how many individuals are coming and going. Rather they are mediated by how migration is managed. In terms of host countries, this means that migrant settlement and integration must be made a policy priority and funded at an appropriate level. In the context of source countries, effective management includes introducing mechanisms that reduce the likelihood of the large-scale loss of skilled workers.
- ***Principle 4: Government rhetoric and media releases on immigration issues should reflect the real long-term interests of the country, rather than reinforce misinformed public perceptions for short-term political gain.*** Governments must inform, as well as follow public opinion, and a failure to draw public attention to the realities of migrant impacts and migration trends is neither helpful nor effective. Some form of cross-party co-operation would be beneficial in order that the immigration question is not subjected to tactics designed to win votes, but is treated as an issue of long-term international and national concern.

Migration is a complex issue, which affects both the UK and developing countries. Simplistic measures, such as a cap, are likely to be both ineffective in practical terms and damaging in the longer term. It is suggested that the findings in this report may provide a reality check for government, and direct its attention to the long-term results of its current policy-making.

Introduction

Migratory movements have always been a key feature of human development, and every nation owes its characteristics to successive waves of migration from other regions of the globe. Today, there are an estimated 200 million migrants in the world, almost 3 per cent of the global population. Despite public perceptions, only around 5.3 million (2.65 per cent) of these migrants are currently in the UK. In 2009 the gross net income per capita for low income countries was $503, while that for the Eurozone stood at $38,805, and this differential, combined with massive disparities in human development outcomes, such as life expectancy, makes part of this movement inevitable, and even rational. But a quarter of those coming to work or study in the UK between 2006 and 2009 are from countries that have average incomes either similar or higher than the UK, suggesting that given a choice, people still want to move between countries to make the best of job and life opportunities.[1]

Despite these facts, which show migration as a long-term and natural phenomenon, policy-makers in many developed countries continually look for ways to restrict immigration, in particular low-skilled immigration from developing countries.

In the UK, the Coalition government has put in place a temporary migration cap, to be made permanent in the spring of 2011. The Prime Minister, David Cameron, hopes it will reduce net migration to 'tens of thousands, rather than hundreds of thousands.'[2,3] Student visas will also be restricted as the government tries to block different routes to settlement in the UK. These are the latest government attempts to appease the general public, who continue to rate immigration as a key issue of concern.

The effect of these measures on public opinion is not yet known. However, the move has generated considerable backlash from business representatives, trade unions, and think-tanks. These organisations have tended to stress that a cap on immigration, especially on the movement of the highly skilled, jeopardizes the UK's economic recovery and growth, will result in skill shortages, and damage the global reputation of the UK. While legitimate, these arguments focus on short-term UK interests, ignoring both development needs and the longer-term UK labour market demands in the context of an ageing population. In particular, there has been little reflection on how a migration cap will affect global inequality, which is the root cause of migration from poorer countries to the UK.

Focusing on the supply-side migration push factors, rather than just the demand-side pull factors, this report projects emigration patterns up to

2050 for a number of developing countries including India and China. These countries may be poorer than the UK today, but are emerging economies that are rapidly becoming economic superpowers. Significantly constraining those wishing to come from these countries to either work or study in the UK risks angering key strategic trade partners. Another implication is that at a time when the UK, alongside other developed countries such as Germany and Japan, will be needing immigrants to fill gaps left by an ageing work force, countries such as Brazil and India will themselves be becoming increasingly attractive destinations for emigrants. It is only when looking within this future global context that the extent of the danger presented by the cap becomes clear.

Based on this discussion, the report suggests a new approach for migration policy, one that recognises that migration is embedded within wider circumstances, such as global inequality, development, climate change, and globalisation. This approach will ensure that migration policy not only better reflects global realities, but that we manage migration in a way that maximises economic benefits for both source countries and the UK, while avoiding the community tensions we have witnessed in the past.

1. Global inequality, development and migration trends

Migration trends are the sum of a complex array of push and pull factors. Capturing these factors in a way that enables the accurate quantification of flows to the UK has proven extremely difficult, with many migration forecasts having wide margins of error. For example, Dustman *et al.* (2003) predicted that between 5,000 and 13,000 A8 migrants were likely to move to the UK per year between 2005 and 2010.[4] However, flows averaged at 180,000 per year between 2005 and 2008.

Despite the potential inaccuracy of migration forecasts, it is necessary to have some understanding of changing migration flows for two key reasons: firstly, to illuminate possible future migration drivers given economic, environmental, and social change; and secondly, to prepare for any adverse impacts on particular groups and manage any new needs for local services, thus helping to avoid community tensions.

This section summarises the results of an alternative approach to understanding migration trends – one that emphasises that the root cause of migration is global inequality, and, instead of estimating exact numbers, looks at changing patterns of migration. This avoids some of the problems associated with current forecasts while simultaneously looking more widely at the changing supply of global migrants. This approach uses empirically proven correlations between development and migration to model future emigration patterns for a number of developing countries. Selected countries are those from which the greatest proportion of immigrants to the UK originates. Flows from these countries are considered under four economic scenarios:

1. Business as usual: a global return to pre-recession growth rates.
2. Double dip recession in the UK: negative growth in UK GDP, with stronger growth in other developed countries.
3. Slow convergence: if there is a slower rate of growth in developing economies than expected.
4. Global depression: another, and more catastrophic, financial crisis within the next five years.

The impact of climate change is also discussed at the end of this section, with a view to deciding whether it will result in mass migration, and what the specific impacts might be for migration flows to the UK. The demand-side pull factors and policy implications for these scenarios are explored in Section 2 of the report.

Development transitions and migration

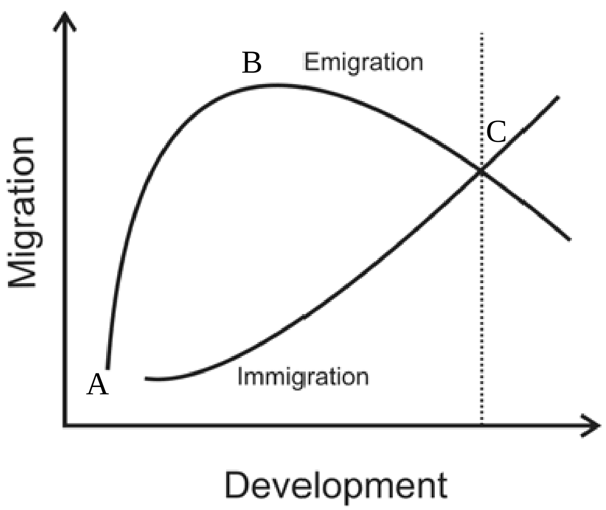
The question of why people move from one country to another has been the subject of much debate. There has, however, been increasing consensus that people migrate because of a combination of economic drivers, such as greater employment opportunities and higher wages;[5] social drivers, most notably having established networks in host countries;[6] and political conditions in home countries, including lack of democratic freedoms, and political instability. The latter are particularly relevant to asylum seekers, but undoubtedly drive economic migration as well. The movement of people has been further aided by lower transport costs.[7]

At the country level, these employment and wage disparities have come to be understood in terms of the relative development level of source versus potential host nations. For instance, part of the explanation for the increased movement between developed and developing countries is that the differences in wages for unskilled labour, which varies from 9:1 to 3:1, is more than double the disparity that kick-started the first phase of globalisation in the late nineteenth century.[8]

For individual countries, existing in this highly unequal world, the relationship between development and migration over time has been found to be curvilinear rather than linear, giving rise to an inverted u-shape.[9,10,11,12] This means that, despite common beliefs, emigration does not always decline as a country develops. Figure 1 illustrates this relationship for levels of emigration and immigration country stocks.

When a country is at point A in its development, individuals experience considerable financial barriers to mobility. Those having to move in desperation, perhaps due to conflict or environmental disaster, may move internally or to a neighbouring, often poor, country, and many of these people will be considered refugees rather and migrants. Overall, the number of South-South migrants is approximately the same as the number of South-North migrants who move from developing countries to the developed world.[13]

Figure 1. The theoretical relationship between migration and development.



Source: de Haas (2010)[14]

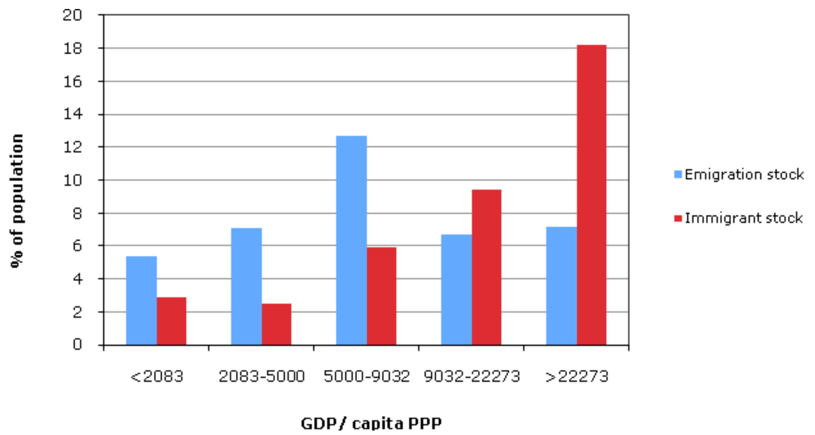
Once a country moves beyond point A and enters a period of strong economic growth with increasing individual incomes, emigration accelerates. It is only after point B, when country features such as transport infrastructure and education have improved sufficiently, and more employment opportunities become available, that emigration begins to decline. According to research, migration tends to slow once wage differentials between countries are no greater than 30 to 40 per cent.[15]

Eventually, at point C, the country becomes a net immigration country, with more people entering the country than leaving. However, emigration levels for a highly developed country still do not return to pre-development levels. Those fortunate enough to be living in such countries, which include the UK, Germany, Australia, and the USA, are more likely to have lower financial barriers, higher level skills which can be easily transferred to different international settings, and fewer restrictions on movement, and hence have a choice in where they choose to work and live.

In summary, migration is not a passing phase of development, but a natural occurrence in any economy where residents have the means and freedom to move.[16] Thus, whilst developing countries like Turkey have an estimated emigrant stock of six per cent of their population, more developed countries like Italy, also have emigrant stocks equivalent in size.[17]

de Haas (2010) uses the World Bank Global Migration database to highlight the GDP thresholds for point A, B and C. Figure 2 illustrates his findings, which largely confirm the inverted u-shape described earlier. Emigration stocks peak between $5,000 and $9,032 GDP purchasing power parity (PPP) per capita, and immigration stocks are largest for those countries with the highest relative incomes. However, emigrant stocks remain relatively high for even the richest countries.[18] These results corroborate with other studies using the same dataset, such as by Letouze *et al.* writing for the UNDP.[19]

Figure 2. Average emigration and immigration stocks for countries with differing levels of GDP per capita.



Source: de Haas (2010)[20]

Development transitions and immigration flows to the UK

How relevant is the development transition theory to UK immigration flows? There are two types of migration patterns that suggest that development transitions have had a strong influence on migration to the UK:

1. Trends in the source countries of immigrants.
2. Changes in key countries sending students.

Table 1 highlights the key source countries in 1985 and 2009 as a proportion of all international migrants entering the UK from those countries. The source countries for both 'all migrants' and 'new migrants' have changed considerably since 1985. Most significantly, immigration from Ireland has fallen off, and Poland and South Africa have joined the list of 'largest senders'. The changes in source countries illustrate the transitioning of certain countries through the inverted u-shaped correlation. This can be described in relation to Figure 1:

- *Movement from A to B (increased emigration).* While it can be argued that the increase in Polish immigrants reflects unrestricted access to the UK after 2004, the difference in opportunities in Poland compared to the UK also played an important role. For example, in 2003 the unemployment rate was at 20 per cent in Poland compared to five per cent in the UK.[21]
- *Movement from point B to C (reduced emigration).* The reduction in migration from Ireland is perhaps the best example of development transitions. Ireland's economy expanded faster than any other EU economy between 1985 and 2005, resulting in more jobs and income becoming available within the country.

Table 1. Change in top five migrant source countries for the UK 1985–2009.

Largest senders	1985	2009
All migrants (stocks)		
1	Ireland (16.5%)	India (10.7%)
2	India (13.5%)	Poland (7.9%)
3	Pakistan (6.9%)	Pakistan (7.2%)
4	Jamaica (5.1%)	Germany (5.1%)*
5	Germany (4.6%)	South Africa (3.4%)
New immigrants (arrived in last year)		
1	United States (20.6%)	India (11.4%)
2	Ireland (10.6%)	Poland (8.9%)
3	India (5.2%)	United States (5.6%)
4	Pakistan (4.1%)	South Africa (3.9%)
5	Germany (3.9%)	France (3.5%)

Source: Labour Force Survey, used in Centre for Economic Performance, LSE (2010) *Election Analysis: immigration and the UK Labour Market: The evidence from Economic Research* http://cep.lse.ac.uk/pubs/download/ea006.pdf

**Germany features highly partly because of the number of children born to British soldiers posted there.*

- *Point C and beyond (emigration from developed countries).* Migrant supply from France and the USA reflect the freedom of movement that citizens of these countries enjoy. Furthermore, the expansion of international employment opportunities through the rise of trans-national corporations (TNCs), combined with demands in the UK for more highly skilled labour, has provided increased opportunities to move and work abroad, especially for those educated in developed countries.[22]

The continued migration from India and Pakistan is linked to the existence of established South Asian communities in the UK, but is unlikely to have been so high if these countries were further on in their development (like the USA and France). Established networks of migrants from a particular country make it easier for new entrants to settle by providing access to housing and job networks, acting as a safety net against unemployment,[23] and reducing the 'cultural distance'[24] between host and source country. In this instance, the colonial ties that first brought migrants from South Asia to the UK have resulted in chain migration or migration inertia.[25,26] This can also be said of Eastern Europeans from the original A8 countries who have continued to choose to migrate to UK even when other European countries have removed restrictions.[27]

South Africa is another key country whose inclusion in the 2009 list could be linked to its development stage. However, this simple interpretation would overlook the importance of policy, diaspora, and also the political situation in South Africa. Furthermore, those coming from South Africa are almost exclusively white South Africans, reflecting the composition of those with the resources to leave, and the education to get jobs in the UK.

Table 1 provides only a partial picture of migration to the UK. Beyond these top five mentioned, there are a number of other developing countries, such as China and Nigeria, from which migrants originate from (Appendix A, Table A1). This diversification of source countries has contributed to the total number of immigrants from the five major source countries falling from 44.4 to 33.3 per cent. This change is in line with a growingly interconnected and globalised world, with increased trade and money flows inevitably resulting in increased people flows.[28]

Student flows, due to the internationalisation of education, also illustrate the influence of development transitions. For the period April 2009 to March 2010 there were over 300,000 student visas granted, an increase of 30 per cent on the previous year.[29] Fifteen per cent of the student population in the UK is now from overseas. Table 2 records the changes in the top ten source countries supplying higher education students to the UK between 1998 and 2007. In the past it was European countries, such as Greece and Ireland, that supplied the bulk of students, but their relative importance has fallen as other countries, such as China, India, and Nigeria, have increased their share. This increase is due both to development stages and to the growth in the incomes of middle and rich classes in these developing economies.[30]

Table 2. Change in compositions of higher education international students.

	1998		2003		2007	
	Country	No. of students	Country	No. of students	Country	No. of students
1	Greece	27,950	China	32,000	China	45,355
2	Republic of Ireland	14,950	Greece	24,200	India	25,905
3	Germany	13,050	USA	14,350	Republic of Ireland	15,260
4	France	12,750	Germany	13,750	USA	13,905
5	Malaysia	12,000	France	13,000	Germany	13,625
6	USA	10,450	Republic of Ireland	12,700	France	12,685
7	Hong Kong	7,500	India	10,900	Greece	12,625
8	Spain	7,050	Malaysia	10,200	Nigeria	11,785
9	Singapore	5,600	Hong Kong	9,700	Malaysia	11,730
10	Japan	5,550	Spain	7,600	Hong Kong	9,700
Total		**116,850**		**148,400**		**172,575**

Source: UKCIS (2009) available at:
http://www.ukcisa.org.uk/about/statistics_he.php [16 June 2010]

Other explanations for the appeal of coming to the UK for international students include the reputation and pre-eminence of UK education institutions compared to those in developing countries. Almost all of the top 100 higher education institutions in the world are either in the UK or the USA.[31] There is also a value attached to attending English-speaking institutions, not only because of the prestige, but because of the higher likelihood of gaining employment after studies have finished. For EU nationals, being able to pay the same fees as UK residents is likely to be a considerable attraction.[32]

It is therefore clear that while factors such as social networks and established communities are incredibly important in explaining flows to the UK, the development stage of each of the countries is also a constant and important contextual determinant. Thus, whilst accepting that development transitions do not tell the whole story, they do offer a guide to understanding current flows and the change in flows over time. For this reason, the inverted u-shape theory should be an important consideration, alongside a broad range of other migration drivers, in forecasts of future trends.

Projection of migration patterns for key source countries 2010–2050

This sub-section applies the development transitions concept outlined earlier to key source countries that have significant existing communities in the UK (Appendix A, Table A2). This ‘business as usual’ scenario assumes that growth rates between now and 2050 are not affected by the recession. It relies on:

- Predicted GDP growth rates up to 2050 (taken from PricewaterhouseCoopers (PWC) projections[33]).
- Predicted population growth rates up to 2050 (taken from UN projections[34]).
- de Haas thresholds adjusted for country starting points in 2008 (taken from the World Bank Global Migration Database).

The full explanation of methodology can be found in Appendix B.

Table 3 provides more detail on the contributing factors for each country, highlighting the mix of starting points in terms of GDP and emigrant stocks, as well as the predicted growth rates. Figure 3 illustrates the GDP growth rates alongside corresponding emigration growth for a selection of the countries included in the analysis. It must be noted that this analysis considers only emigration *pressures* not actual flows, the myriad of possible domestic and international policy changes make it impossible to be sure about how many people will actually move.

The final column lists possible factors that may divert countries from these development pathways and/or affect their emigration pattern. High levels of inequality within countries, such as Brazil and South Africa, could change the inverted u-shape pattern. One possibility is that inequality could prove a brake on growing emigration stocks as only the rich can afford to leave. Other possibilities include the emergence of two separate inverted u-shape patterns of emigration; for example, in South Africa the current emigration pattern could be specifically for the white population, with another one occurring in the future for the black population as they gain higher incomes.

In line with these caveats, the patterns in Figure 3, rather than the exact numbers are most revealing. It should be noted that a decrease in emigration stocks would be most likely due to either return migration or the decease of those emigrants living in host countries. Using this rationale, it is still possible that people will be emigrating, but not at a rate large enough to replenish numbers, thus resulting in a net decline in emigration stocks.

China has, and is predicted to continue to see strong growth through to 2050. In line with this growth, emigration is likely to increase up to 2020 and then fall until GDP PPP per capita is on par with countries like the UK, at which point emigration stabilises. Similarly, if India's growth is sustained, the country will see a decline in its emigration stock after 2030.

Demography is likely to play a fundamental role in whether or not these patterns materialise. Young adults have been found to have a higher propensity to move,[35]and several countries listed in Table 3 are likely to see the proportion of 16 to 34 year olds increase as a proportion of their population. White and Subedi (2008) provide an in-depth study of changing demography in China and India and consider the impact on emigration to high-income countries.[36] They find that at least in the short to medium term, emigration will continue to increase because of the age structures in these countries. However, the sudden jump in the ratio between the non- and working age population in China due to the one child policy will produce a corresponding drop in this demographic push factor.

Table 3. Economic growth and emigration growth for a selection of developing countries.

	Emigrant stock 2005 (WB)	GDP PPP (US$) 2008 (IMF)	GDP PPP (US$) 2007–2050 forecast growth rate (PWC)	Average NINO 2006–2008	Likely change 2010–2050	Notes
Bangladesh	3.4	1,398.34	3.9	9,577	Increase	High risk of climate change events
Nigeria	0.6	2,162.05	4.4	13,520	Increase then decrease after 2045	Relatively unequal (Gini=43.6) Younger demographic
Pakistan	2.2	2,624.04	3.5	23,883	Increase, then decrease after 2035	Political instability
India	0.9	2,789.90	5.0	49,760	Increase, then decrease after 2030	High-growth country Younger demographic
Philippines	4.4	3,515.08	4.1	8,530	Increase, then decrease after 2030	Major source country for NHS nurses
China	0.6	5,998.81	4.6	14,080	Increase, then decrease after 2025	High-growth country
South Africa	1.5	10,441.84	3.3	14,843	Close to peak, will decrease	Highly unequal (Gini=65)
Brazil	0.6	10,512.30	3.1	5,697	Close to peak, will decrease	Highly unequal (Gini=56.7)
Turkey	6.0	13,107.41	3.4	5,126	Close to peak, will decrease	
Poland	6.0	17,555.56	2.7	195,687	Close to peak, will decrease	Growing dependency ratio

Sources: PWC projections (2008), UN Population database (2008), IMF GDP PPP database (2008), World Bank Global Migration Database, Gini coefficient data taken for the CIA World Factbook.

From this group of countries, Poland will be the first to see a decline in its emigration stock. At the other extreme, poorer starting conditions in Bangladesh mean it is likely to see continued growth in emigration, with Nigeria seeing some decrease after 2040. However, Nigeria is another country predicted to witness a shift in their demographics towards more young people, and this could increase the emigration stock and/ or delay the decline.

Overall, the results show that in the short to medium term, development transitions for several source countries will result in higher levels of emigration. For developed countries, such as Germany and France, there is an assumption that emigration stock will remain at similar levels, although the shrinking of populations in these countries are likely to contribute to a weakening in migratory push factors.

Figure 3a. GDP growth and related emigration patterns for Poland.

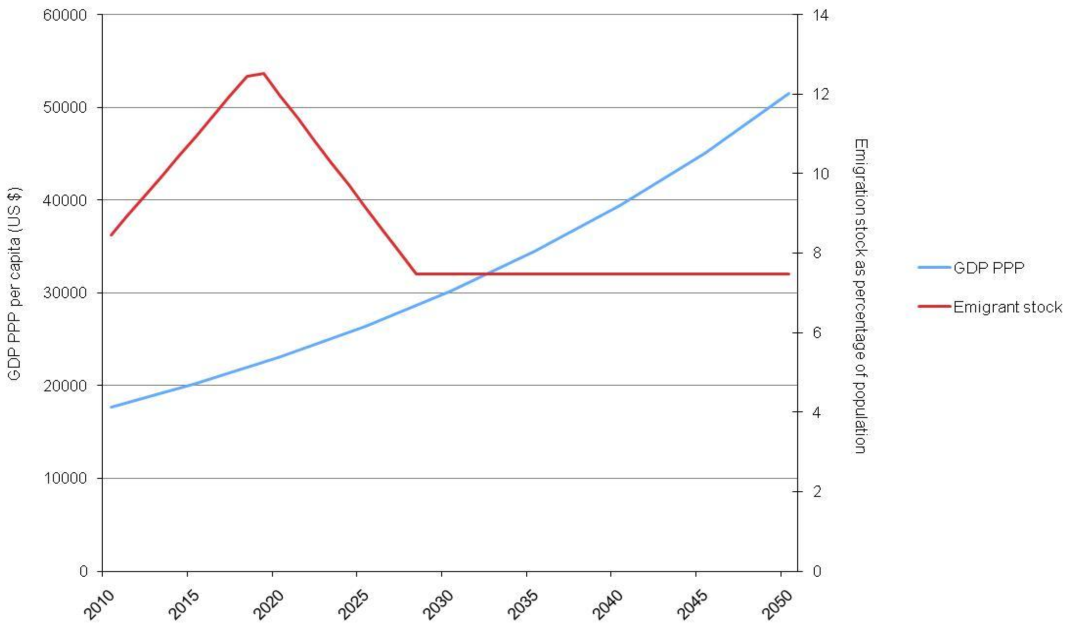


Figure 3b. GDP growth and related emigration patterns for China.

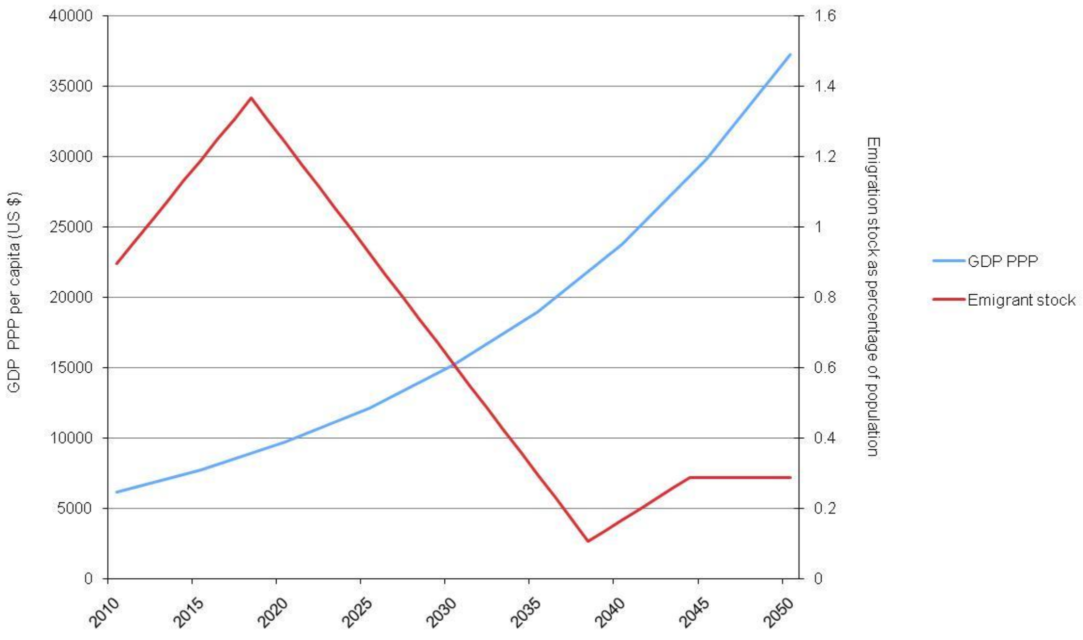


Figure 3c. GDP growth and related emigration patterns for India.

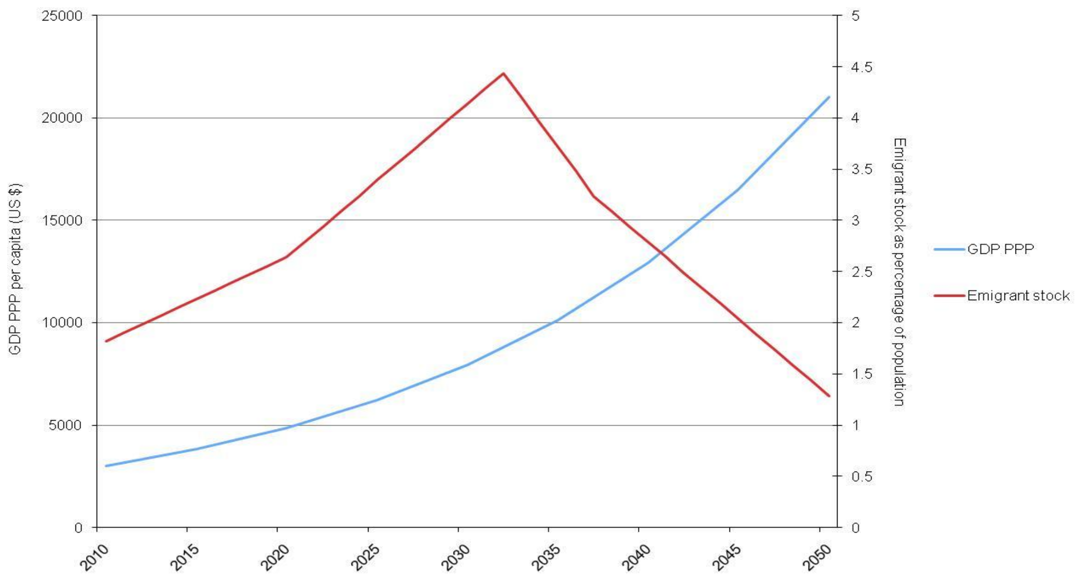


Figure 3d. GDP growth and related emigration patterns for Pakistan.

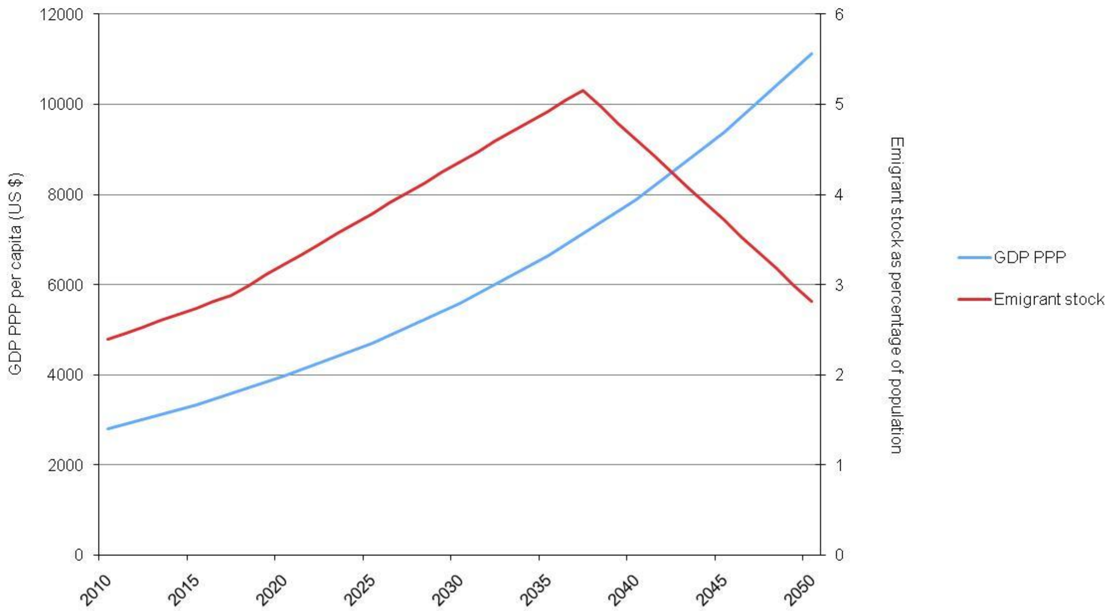


Figure 3e. GDP growth and related emigration patterns for Nigeria.

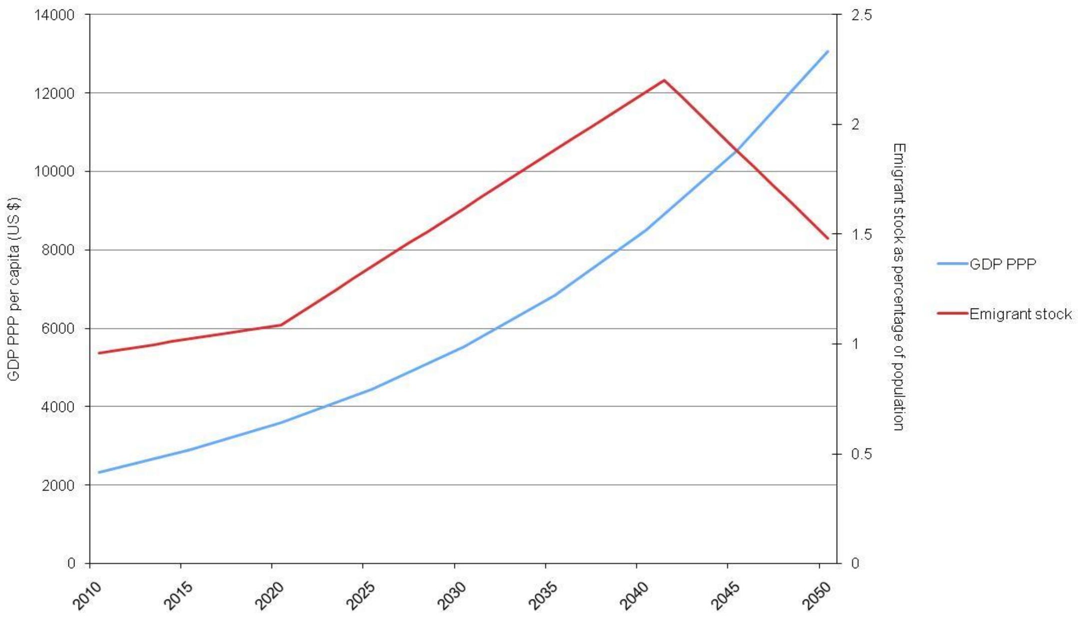
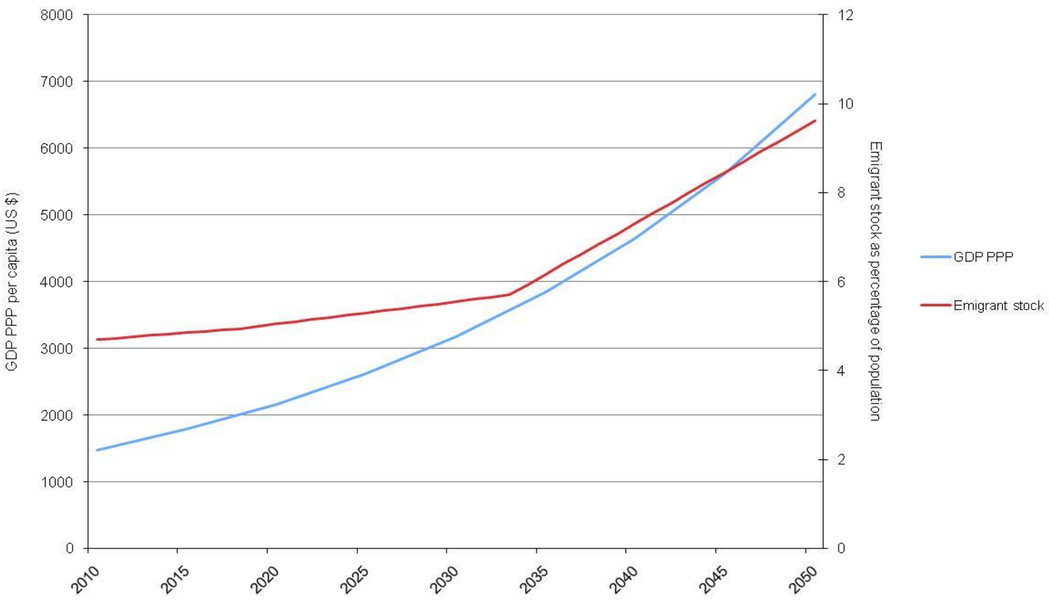
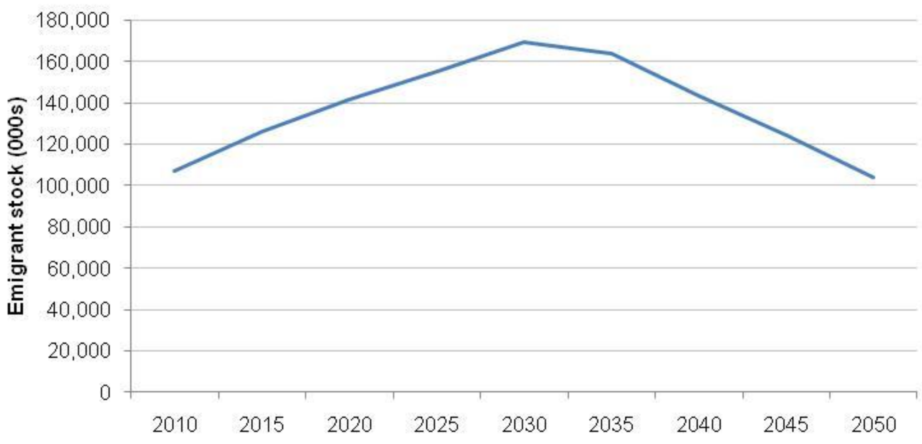


Figure 3f. GDP growth and related emigration patterns for Bangladesh.



What do these trends mean for immigration to the UK? This analysis does not try to forecast how many of these migrants will come to the UK, or to traditional host nations because it is impossible to predict the extent to which borders will continue to be tightened. Currently, the UK is just one of a number of developed countries to which migrants may choose to move. Migrants compare one country to another, and hence the relative economic performance of the UK compared to other developed countries is an influencing factor.

Figure 4. Total emigrant stock from current key source countries* 2010–2050.



** Countries include: Australia, Bangladesh, Brazil, Canada, China, Egypt, France, Germany, India, Iran, Ireland, Italy, Malaysia, New Zealand, Nigeria, Pakistan, Philippines, Poland, South Africa, Spain, Turkey and the United States of America. Since 2006, around 70 per cent of those registering to work in the UK have been from these countries. Other countries were not included because of lack of available data or low levels of emigration to the UK.*

With this point in mind, Figure 4 provides a picture of the summation of country trends in total (rather than just those residing in the UK), and focuses on the overall potential emigrant stock, rather than any likely flows. Thus, the graph highlights the possible thrust of migration push factors. It suggests that there will be a decline in the emigrant stock from current source countries after 2030. The implications of such a pattern are discussed in the next part of the report.

If migration trends develop in ways similar to those predicted in Figure 3, several counties, including China and India, will become net immigrant countries and hence may even divert migration away from OECD countries.[37] This is especially true where these countries share borders with countries that are significantly poorer, such as Bangladesh and India.[38] On the other hand, it is possible that low-income African countries will reach a development stage in which emigration takes off. Again, the implications of this scenario will be re-examined in the final part of this report.

The recession and economic scenarios

So far, this analysis has not accounted for the impact of the 2008 recession. This section considers the implications for development transitions and resulting migration to the UK if:

- the UK suffers from a double dip recession;
- developing countries do not grow at predicted growth rates;
- there is another financial crisis resulting in a global recession.

The analysis in the previous sub-section is considered to be the 'business as usual' case or Scenario 1, so we pick up from Scenario 2 (double-dip recession) below.

Scenario 2: Double-dip recession

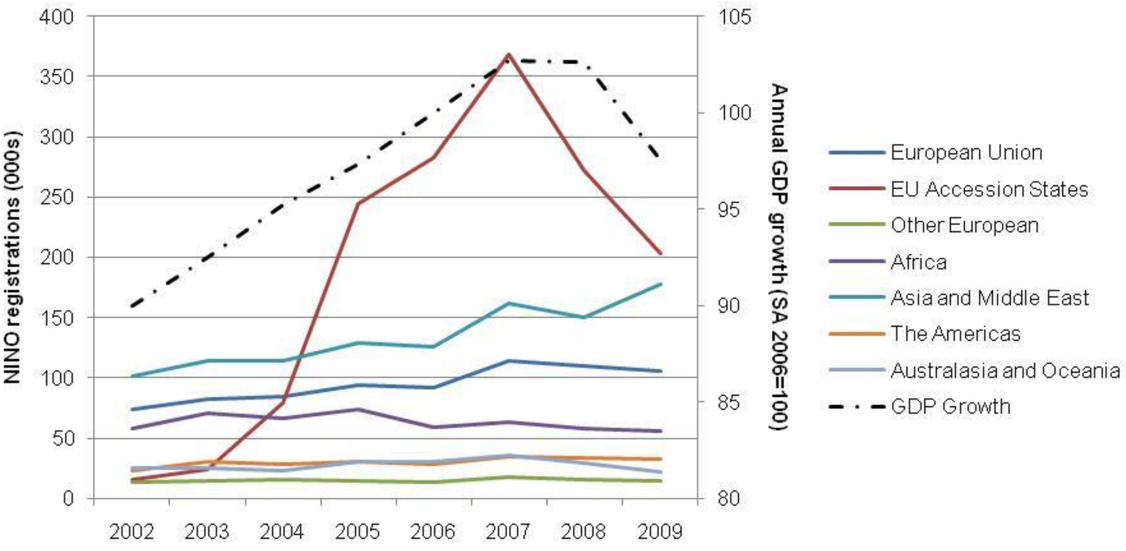
Since the onset of the recession, the UK has experienced a substantial decrease in the number of immigrants as well as in outmigration.[39] Figure 5 shows a dip in the number of migrants applying for a National Insurance number on entering the UK. The decline in the number of migrants working in the UK is indicative of the sectors that the recession has hit hardest. Migrant-rich sectors, such as construction, tourism, and manufacturing, have suffered most since the downturn.[40] In addition, migrant workers are more likely to be in temporary and part-time work and, therefore, more vulnerable to cutbacks.[41]

There is also a suggestion that part of the overall drop may be accounted for by reduced movement among the highly skilled. As the financial and other professional sectors have reduced recruitment, there has been a squeeze on the number of openings for highly skilled migrants. Furthermore, is has become more difficult for potential students to obtain visas to enter the UK and, for those that are already here, to remain after finishing their qualifications.[42]

The question for this analysis is: what will happen if the UK struggles to recover, or if there is a so-called 'double-dip' recession, with another period of negative growth? There is considerable speculation that this could happen, especially because of the planned cuts in public expenditure.[43] At the time of writing, both labour market statistics and Bank of England projections present an uncertain picture for the UK.

If there is a double dip recession, immigration to the UK will decline, as it has done in the aftermath of the 2008/2009 dip in GDP growth. This will be especially true if other developed countries are in a stronger economic position than the UK, as migrants are likely to alter their destination-country preferences. However, if all developed economies struggle to recover from the recession and budget cuts, it is possible that migrants will not be pulled to the developed world on the same scale as predicted earlier in this report.

Figure 5. Continent of origin for those registering for National Insurance numbers in the UK 2009.



Source: DWP, NINO 2002– 2009, seasonally adjusted GDP data from ONS.

Nonetheless, and despite the obvious decline in Figure 5, it is important to note that migration has not ceased to the UK.[44] The relative economic well-being of developed countries is still far superior to that of developing countries, so there is still a substantial economic incentive to migrate. The OECD also notes that the continued growth in the segmentation of labour, decline in reservation wages, and unwillingness of the resident workforce to partake in so-called 3D jobs (dirty, dangerous, and difficult) will continue to pull migrants to the UK.[45]

Scenario 3: Slower convergence

The PWC growth rates used to build these projections could be perceived as over optimistic. They were derived before the financial crisis and hence do not take the impact of the recession into account. The Carnegie Foundation produced another set of GDP projections after the crisis, which were slightly lower for most developing countries than those of PWC, but were available for fewer countries.[46] Currently the signs are that the key developing migrant source countries discussed here have managed to get through the recession relatively unscathed, but China's growth is showing signs of slowing.[47] In addition, there are legitimate questions around how long such growth, which tends to be unequally spread among the population and highly reliant on generating larger and larger volumes of carbon emissions, can be sustained (see next sub-section).[48]

The main consequence of slower-than-expected growth is a delay in the development transitions and hence a delay in the stages of the inverted u-shape emigration patterns explained earlier. For those countries that are the poorest, this could mean less emigration than expected. However, for countries experiencing peak levels of emigration, the absence of further development could result in high levels of outmigration for a considerable period of time. Where these migrants would go is another question. If developed countries were to continue to tighten borders, irregular migration may increase, which in turn could increase costs of securing borders and deportation for developed countries.

Scenario 4: Global depression

Several eminent economists have warned of another catastrophic financial crisis.[49] If this was to happen and all countries were to enter a recession, resulting in a global depression, the impacts on migration could be considerable.

One way to foresee the potential impact of such a scenario is to look at the impact of past depressions on migration flows. Koser (2009) found that the Great Depression resulted in massive decline of South Americans to the USA, as well as repatriation, whilst in western Europe there was large-scale sacking and deportation.[50] During the 2008/2009 financial crisis, sacking and repatriation on a similar scale did not occur, but this may not be the case if another financial crisis occurs.

A global depression suggests that migrants could not change destination to avoid depressed economies.[51] However, this ignores the fact that the relative situations of countries may remain unchanged. While all countries are likely to see a marked decline in personal incomes, those in developing countries, such as Bangladesh, will still have poorer access to food and shelter. This could result in people from poorer countries making increasingly desperate efforts to enter more developed economies without documentation, with large-scale repatriation of those apprehended likely to follow.

Climate change and migration

The effects of climate change will be increasingly felt in the next 40 years, with profound implications for both country and global economies. It is thus vital to discuss possible environmental outcomes for migration. In particular:

- Is climate change likely to be a key driver of future migration flows?
- How could climate change impact on the projections in the previous section?
- How are UK immigration levels likely to be affected by environmentally induced migration?

There has been a great deal of debate about climate change as a significant future push factor.[52] Estimates on the size of climate-induced migration by 2050 range from 200 million[53,54,55] (equivalent to the current global migrant population) to one billion.[56] While such figures have been widely debated, largely because they are calculated by building projections on top of already out-of-date Intergovernmental Panel on Climate Change (IPCC) projections, there is widespread recognition that people will be increasingly forced to move because of climate change.[57]

Despite the potential magnitude of this displacement, environment-induced migration has not translated into policy action. This is partly because environment-induced migration is currently not well defined[58] and environmental degradation tends to be a slow process, making it difficult to measure any direct impact on an individual's decision to move. Thus, for some of those emigrating from developing countries (due to the disappearance of rural livelihoods for instance, or to civil strife through the outbreak of resource feuds), climate-induced migration is likely to manifest as economic migration. Potential growth sectors may also be thwarted by climate change, such as tourism[59] – further hampering low-income countries from growing their economies. Lower projected growth rates would alter development transitions and corresponding emigration patterns, as discussed in Scenario 3.

It has also been suggested that the majority of climate change migrants will either be too poor to move at all or will move to neighbouring countries rather than to the developed world.[60] In total, it is difficult to assess how many climate-induced migrants there will be, and even more difficult to assess how many will come to the UK. What can be concluded, however, is that the burden is likely to fall on neighbouring poor countries, rather than developed countries.[61]

Due to the difficulties associated with predicting the effect on numbers of migrants to the UK, we have instead developed an indicator system (Table 4). The indicators are split into four bundles. The first three can be used to predict the likelihood of climate change related migration, and the fourth to predict where these migrants may go:

1. Vulnerability levels: indicating how at-risk a country is to climate change events that are associated with heightened needs to migrate; for example, land loss through sea level rise.
2. Country's ability to cope: includes considerations such as population and population density because there will be fewer options to move within the country if land settlement is already high.
3. Impact on growth/ poverty: these indicators suggest what sectors are likely to be hit, as well as what segment of the population.
4. Likelihood of migrating to the UK: the final set of indicators looks at where migrants would go if pushed out of a home country, and in particular what networks already exist in the UK.

The country example used in Table 4 is Bangladesh, which is already suffering from the impact of climate change.

Table 4. An indicator system to assess vulnerability to environmentally-induced migration for Bangladesh.

Vulnerability level	**Slow-onset events**	HIGH: Sea-level rise and salinity intrusion
	Climate disaster	HIGH: Floods/ cyclones/ storm surges
	Current impacts	1 million+ lose homesteads or land to river erosion each year. Many move locally temporarily, or to urban areas. Drainage congestion
Country ability to cope	**Population projection (2010-2050)**	Increase of 40%
	Population density	1045 per sq/km (?) Highest in the world
	Types of areas at risk	Slums/ squatter settlements often on flood plains (86% of urban population)
	Number of people affected	Sea level rise – 11% of total pop River water rises 70 million
Impact on growth/ poverty	**Most affected sectors**	Agriculture (arable, livestock and fisheries) Water (industry, drinking), Energy, Health, Infrastructure, Human settlement
	Gini coefficient/ inequality	33.4 70% of rural population functionally landless 77.8% less than $2 a day
	Remittances	High dependency, 4x that received in international aid
Likelihood of migrating to the UK	**Current stock in UK**	209k
	Current main access route	Colonial ties, work and marriage
	Proximity/ connections with other 'lifeboat' nations	East Asia – but no networks. Have significant stock of migrants in US and the Gulf where they move to through agencies

Sources: UN Population Database (2008); World Bank remittances database; UN Gini coefficient and poverty data; Black *et al* (2008) 'Demographics and Climate Change: Future Trends and their Policy Implications for Migration', Development Research Centre on Migration, Globalisation and Poverty, Working Paper T-27, University of Sussex.

For Bangladesh, the impact of climate change will hit the poor most severely, as they live in the slums and settlements located on the flood plains. As this population will not have the resources to move far, it is highly unlikely that those displaced will move to the UK. However, because of existing networks in the UK, the small minority with the resources to leave may do so. It is likely that the inclusion of other developing countries in this analysis would result in similar findings – in contrast to claims that the UK will be flooded with 'climate change refugees'.[62]

Further work is underway on the impacts of climate change on migration,[63] and efforts must be made to better highlight the countries most vulnerable to climate-induced displacement. Action is needed to ensure that that poor countries are not left to shoulder a disproportionate burden of hosting those forced to move.[64]

Summary

Migration is the inevitable outcome of development, global inequality, and the human desire to make the best of life. The analysis in this section has used an established empirical relationship between development and migration levels to forecast patterns of change for popular UK migrant source countries. It found that if the world is to return to pre-recession growth levels, many source countries are likely to see an increase in the number of people emigrating in the short to medium term. Crucially, as we will see in the next section, a 'peak' is likely to be reached in 2035 after which point total migrant supply from these source countries will decline.

There are clear caveats to these findings; for example, if country growth rates deviate from the predicted levels, development transitions will be slowed. Climate change has the potential to influence both economic growth rates and overall migration supply. On the demand side, the number of people coming to the UK is highly dependent on UK policies, skill shortages, and demographic needs.

2. A policy framework for migration

The current direction of UK migration policy does not fit alongside the long-term growth and supply-side trends indentified in the previous section. The incoming Conservative-Liberal Democrat coalition has already announced a temporary cap on skilled migrants from outside the EU at five per cent below 2009/2010 levels. However, an increasingly restrictive approach to migration policy does not appear to be the most effective way to manage migration, either from a UK or an international perspective.

This section considers migration policy over the long term. It reflects on the development transitions outlined in the previous section and puts these alongside UK and source-country needs, and also includes evidence of the social and economic impacts of migration.

It suggests that a cap is neither a practical, nor an effective, response to the realities facing the UK and its source countries. A cap has the potential to damage UK economic development and social cohesion, and will do little to further the development of those source countries where economic push factors driving migration are likely to be strongest.

An argument is made instead for a migration policy framework based on four principles. First, migration policy should be considered within the context of long-term supply- and demand-side trends rather than driven by short-term electoral horizons. This will require cross-party agreement. Secondly, it should recognise the inherently international nature of migration and particularly the relationship between migration, development, and global inequalities. Thirdly, effective management of migration and migrant settlement must become a key focus of migration policy. Finally, a change in the political and media rhetoric around migration is required so that discussion more accurately reflects the reality of migration and its impacts, rather than feeding misinformed public perceptions that in turn damage social cohesion.

Migration policy and the UK

Recent migration policy has seen significant tightening of entry requirements through the introduction of an Australian-style ‘points system’ by the Labour government in 2008 and the announcement of a temporary cap on skilled migrants by the Conservative-Liberal Democrat coalition government in June 2010 (Box 1).

These changes have occurred against the backdrop of public concern about the impact of migrants on jobs and public services. In the most recent wave of the UK Border Agency Public Attitudes Survey, for example, 30 per cent of respondents said they were concerned that migrants were 'putting pressure on jobs/taking their jobs'.[65]

Yet the perception that migrants are responsible for significant negative impacts is not supported by the evidence. It is generally accepted that, in aggregate, migrants have made a net positive economic contribution and have had little or no impact on the employability and wages of native workers. There is some research that points to possible sectional impacts on low-skilled workers, but these are typically also small.

Box 1. The points system and 'cap'

One of the most significant recent shifts in migration policy was the introduction of a points-based system (PBS) for non-EEA labour-related migrants in 2008. Modelled on the Australian system, the new regulations set more stringent academic and financial requirements as well as tougher labour market tests.

The PBS is made up of five tiers:

Tier 1 – Highly skilled migrants

Tier 2 – Skilled workers with a job offer

Tier 3 – Low-skilled temporary workers (currently closed)

Tier 4 – Students

Tier 5 – Youth mobility and other schemes (e.g. 'Working holidaymaker')

Tiers 1 and 2 are designed to ensure that only migrants who will benefit the British economy are able to enter. The restrictive nature of the PBS is nowhere more evident than in the fact that applications are not currently accepted under Tier 3 (low skilled) and there are no plans to do so in the future. It is difficult to assess what impact the PBS has had on migrant numbers as its introduction occurred against the backdrop of the recession, which might also be expected to reduce migrant numbers. However, figures released by the Labour government prior to the May election claimed there had been a fall from 99,000 migrants in 2007 to 63,000 in 2009 for the Tier 2 (or previous equivalents) category.[66]

The Conservative-Liberal Democrat coalition has already made a number of changes to further tighten up the points system. From 19 July 2010, the points threshold was raised from 95 to 100 for Tier 1 (General) applicants, and a cap on the total number of migrants applying to come to the UK via this channel was introduced. On the same day, new limits also came into force for the number of certificates of sponsorship that employers can issue. These certificates are required for an application under Tier 2.

It is worth noting that several categories of migrants are not affected by the introduction of the PBS. Migrants from within the EU, of course, have the right to move and reside freely within EU member states and are, therefore, not subject to the new requirements. Family migration is also exempt from the PBS, as are asylum applications. It is worth noting that in respect of the latter, the UK still has one of the toughest regimes with practices, such as the detention of families with children, regularly the subject of criticism. The number of asylum claims has fallen from a peak of 80,315 in 2000 to 24,250 in 2009.[67, 68]

The economic and social impact of migration on the UK

There is a consensus among economists that migration to the UK has had positive short- and long-term impacts on economic growth. The most recent attempts to quantify the impact on output estimate the contribution of migration to economic growth to be between 15 and 20 per cent, [69, 70] though these estimates predate the recession.

Similar estimates of the net fiscal contribution of migrants – the difference between what migrants pay in taxes and what they consume in the form of goods, services, and benefits – also point to a small net benefit to the UK. The first study carried out by the Home Office for the fiscal year 1999/2000 found that first-generation migrants made a net fiscal contribution of £2.5 billion, paying some £31.2 billion in taxes and consuming £28.8 billion in benefits and services.[71] A follow-up study by the IPPR for the fiscal year 2003/2004 established that migrants make a net fiscal contribution, accounting for ten per cent of government tax intake, and 9.1 per cent of expenditure.[72] A recent study of A8 migrants also found that these contributed significantly more to revenues than they consumed.[73] The ratio of revenues to expenditure for the period 2005/2006 to 2008/2009 ranged from 1.35 to 1.6.[74]

Concern has sometimes been expressed that these aggregate economic benefits may be offset by a reduction in the employability and wages of native workers and especially native workers on low wages and in low-skill occupations. Yet both international and UK evidence suggests that, where there are negative impacts on employability, these are small even for the most vulnerable of native workers. A meta-analysis by Longhi *et al.* concluded on the basis of 165 estimates across nine recent studies from OECD countries that a one per cent increase in immigrants translates into a 0.04 per cent reduction in the employment of native low skilled workers and a negligible 0.02 per cent reduction for more skilled. Similarly, in respect of wages, Longhi *et al.* find that a one per cent increase in immigrants results in a 0.12 per cent reduction in wages for native workers.

Studies of the UK have broadly concurred with these findings. Dustmann *et al.* conducted the first comprehensive study of the impact of migrants on employment and wages in the UK in 2003 and found that 'there is no strong evidence of large adverse effects of immigration on employment or wages of existing workers.'[75] In fact, Dustmann *et al.* found that overall immigration may actually contribute to *wage growth.*

However, it is important to distinguish impacts by type of worker – a later study by Hijzen and Wright in 2005 found that there was a small negative impact on the wages of unskilled workers, but no effect for skilled workers.[76],But studies specifically on those migrating from A8 counties, who are largely working in low skilled occupations, have not demonstrated adverse impacts, either sectional or overall.[77,78]

Notwithstanding these facts, there have obviously been negative impacts on social cohesion. This is evidenced by the widespread concern among the public that migrants place pressure on jobs and public services. There is therefore clearly a gap between public perception of the impacts of migration and the evidence, as cited above. To some extent this could be addressed by clearer public communication of the impacts of migration by politicians and the media.

However, there is also an extent to which some of the concerns are rooted in poor management of migration. Most immediately, projections around migrant flows and actual destinations within the UK are widely acknowledged to be of poor quality. This means that it has been difficult to plan for appropriate levels of public service provision. The Audit Commission, for example, has noted the difficulties associated with planning for adequate school provision, while the House of Commons Communities and Local Government Committee recently called for much better information on migrant destinations in order to enable funding for public services to follow population increases.[79]

The cap: an effective migration policy?

Whatever the cause of public concern over migration, the temporary – and soon to be permanent – cap on skilled migrants from outside the EU is most certainly a response to it. Is it also, however, an effective approach to migration policy?

There is an international dimension to this question, which will be addressed later, and a UK dimension.

From a UK perspective, the cap is an extremely blunt tool for managing migration. If set too low, as many believe it will be, it is likely to jeopardise the economic benefits, such as output growth, that migration has delivered to the UK economy. It is also unlikely to have positive social outcomes. Set without regard to supply-side factors, including those discussed in the previous section, which suggest that there is going to be a stronger push for migration in developing migrant source countries, an unintended consequence of a cap may be an increase in undocumented workers as migrants seek unofficial routes into the UK. This is already a significant danger with Tier 3 (low skilled), which has been closed for some time, but may also apply to Tier 1 and 2 applicants from developing countries where wage differentials to the UK are such that even undocumented underemployment may still present a strong pull factor.

In short, the problems that have been associated with poor management of migrant settlement and integration are only likely to intensify given the reality of the supply-side pressures stemming from development transitions. Policy will only be effective if it sets out not just to consider the total number of migrants able to enter the UK, but also the effective management of migrant settlement and integration at national and local levels. Box 2 sets out some of the elements that will be key to effective management of migration.

In the short term, there are clear costs from limiting migration, for example education institutions would find their budgets considerably depleted in the absence of international students. It is estimated that revenues from international student fees amounted to over £2.9 billion, nearly 13 per cent of all university income. With a reduction in this source of funding, alongside public sector funding cuts, it is difficult to see how universities would manage their finances. In addition, personal (off-campus) expenditure has been estimated at £2.3 billion while expenditure of output was £3.3 billion across the economy.[80]

Box 2. Effective management of migration

There are significant lessons to be learned from the gap that has emerged between the aggregate impact of migration and the way it is perceived and experienced locally. It suggests that key elements of any effort to manage migration more effectively will need to include attention to the following:

- **Better statistics on actual and projected migrant settlement destinations within the UK**
  There is a lack of up-to-date and accurate information about where migrants settle upon arrival within the UK and little in the way of reliable projections of the future geographical distribution of migrants. This makes it extremely difficult to plan for adequate levels of public service provision and inevitably leads to local areas with high migrant numbers experiencing acute pressure on public services. This means there may be unmet need – for example, around housing – and negative social cohesion impacts as resentment develops towards migrants for placing pressure on public services.

- **Funding for public service provision to follow migrants**
  Better statistics on migrant destinations would enable funding to follow migrants so that local authorities with high numbers of migrants are not disproportionately burdened with the cost of providing public services to enable effective migrant settlement. The £50 million Migration Impacts Fund (MIF) instigated by the Labour government sought to do this, but it would be need to be on a larger scale to be effective. The MIF was funded through a £50 levy on migrants. The aggregate fiscal and economic benefit from migration would suggest scope for creating a larger fund from general taxation that redistributes to those areas incurring the greatest costs. It is a cause for concern that the Conservative-Liberal Democrat coalition has abolished the MIF, although the £50 levy on migrants remains in place.

- **Better communication of the impacts of migration**
  While some public concern over migration may be due to sectional and geographical effects, it is also fuelled by misleading communication by politicians and the media. This means that aggregate fiscal and economic benefits of migration are not well understood and negative impacts on public services may be exaggerated. Both can lead to resentment of migrants and so threaten effective migrant settlement and integration. A recent report by the Equality and Human Rights Commission underscores the importance of better communication. It contrasts the perceived impact of migrants on social housing with the actual source of pressure.[1] The report found that while there is a perception that migrants have been 'jumping the queue', over the last five years new migrants made up less than two per cent of those in social housing and a key pressure was in actual fact that social housing stocks have declined by more than ten per cent since 1996.

- **Raising of the minimum wage and effective enforcement**
  The low level and poor enforcement of the minimum wage is likely to be one of the primary reasons for the sectional impacts on low-skilled local workers. Raising the minimum wage would provide employers with less opportunity to use migrants to exert downward pressure on the wages of native workers. Enforcement would have a similar effect. It would also ensure that low-wage migrant workers are able to earn a living wage and better integrate into society.

Viewed from a long-term perspective, the prospect of a relatively low cap on migration becomes all the more concerning. An increasingly restrictive approach to migration is likely to rub up against two significant demand-side shifts: demographic change that will see the dependency ratio fall significantly and increasing labour market shortages.

Demographic change

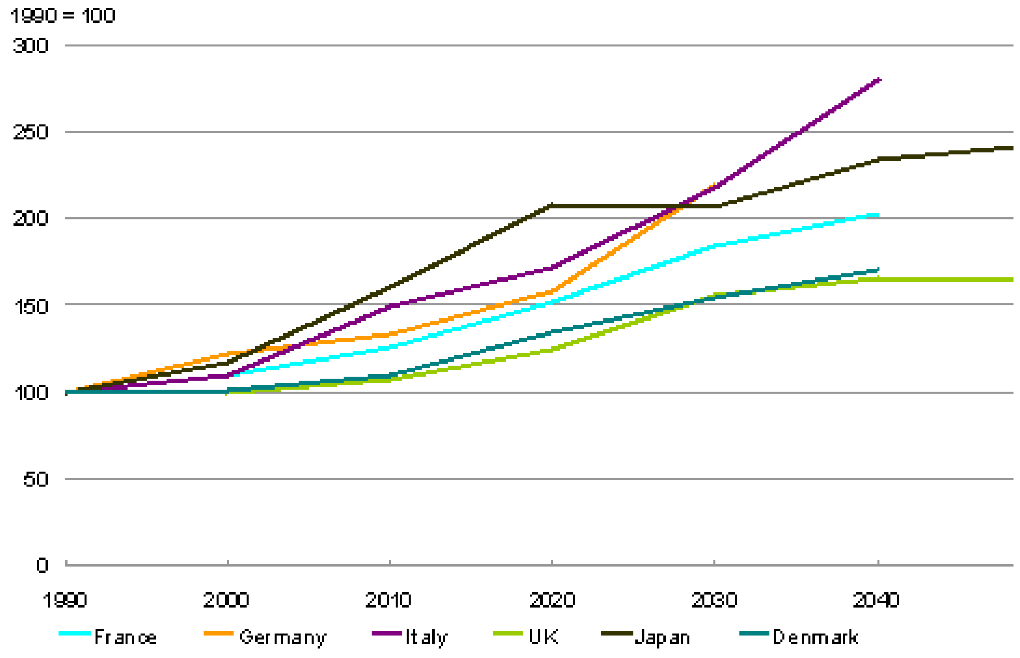
The Government Actuary Department (GAD) has projected that the dependency ratio – the ratio of children and those of state pension age to those of working age – will rise from 61 per cent in 2007 to 74 per cent by 2056.[81] These projections assume net long-term migration of 147,000 per annum. Under a zero net migration scenario, the dependency ratio is expected to reach 82 per cent. If the permanent cap is introduced at a level close to the temporary cap, net migration is likely to be below 147,000 per annum, leading to greater pressures on the dependency ratio than those given in the GAD base-case scenario.

The projected reduction in the dependency ratio is significant. It will mean that there are fewer working age individuals able to make a fiscal contribution to cover the cost of public services. Some of the shortfall will inevitably need to be recouped by raising the retirement age as the Conservative-Liberal Democrat coalition has already announced. Yet, even with a change to the retirement age, there will still be considerable pressure on public finances that only an increase in the working age population through inward migration will be able to address.

Figure 6 shows projected trends for the dependency ratio in key developed countries to 2050. There are two key points to note. First, the UK dependency ratio – and, hence, demand for working age migrants – is set to peak just when there is likely to be a reduction in migrant supply from the majority of current source countries (Figure 4).

The second point to note is that in many other developed countries the dependency ratio will rise much more quickly than in the UK. These countries will experience even greater pressure on public finances and will, therefore, also need to look to inward migration to increase their stock of working-age individuals. This means that there is likely to be heightened competition for migrants among developed countries – all against the backdrop, as noted earlier, of declining supply. Furthermore, rapidly developing countries – such as Brazil, India, and China – are likely to become increasingly attractive destinations for potential migrants, especially for those living in neighbouring countries,[82] and thus further reduce the pool of migrants that the UK is able to attract.

Figure 6. Dependency ratio to 2050.



Source: Eurostat data.

Within this context, adopting a highly restrictive approach to migration in the short term may well come at significant expense in the future: the point at which the UK will need to attract greater numbers of migrants is likely to occur just when supply will be at its lowest, and when the UK's attractiveness relative to other countries may be waning. Diaspora effects are known to mitigate objective factors – such as relative economic positioning – when migrants make decisions about where to locate. However, these are unlikely to be significant if the UK allows only very limited migration over the next several decades.

As mentioned in the previous chapter, it is possible that several low-income African nations may reach a point at which emigration begins to take off, but again their decision to choose to come to the UK will be highly dependent on existing networks as well as the proximity and appeal of other more developed countries.

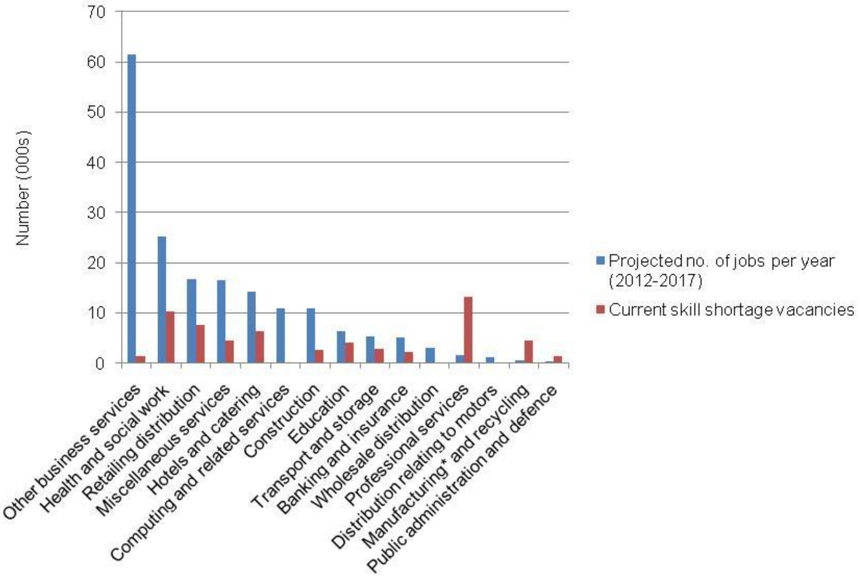
We see here, then, the importance of the first principle set out at the beginning of this section, namely that migration policy should be informed by considerations over the longer term rather than by short-term electoral horizons. The salience of adopting a longer-term view becomes all the more evident when trends in the labour market are considered.

Future labour market trends

Migrants typically play an important role in filling gaps in the labour market. If such gaps are not filled, there may be fall out for the economy and, in some cases, also negative social consequences due to a resultant lack of capacity to deliver key services, such as social care.

Figure 6 depicts current skill shortages and the trends in job growth for key sectors to 2017.

Figure 7 Projected number of jobs (2012-2017) and current skill shortages.



Source: University of Warwick[83], UKCES[84]

While these projections are not over the same time horizon as the dependency ratio, they again point to the dangers of adopting a restrictive migration policy. Several sectors – health and social work, retailing and distribution, and hotels and catering – already have marked shortages and are projected to experience further job growth to 2017. These are all sectors where migrants have played a key role in addressing labour shortages in the past. Yet with the closure of Tier 3, it is unlikely that they will be able to play a similar role in the future.

It is sometimes argued that a more restrictive migration policy will increase incentives to get unemployed individuals back into the workforce through retraining and up-skilling. However, at least in the short term this is not a solution, especially for jobs that require several years of training. Moreover, the nature and pay of many of the low skilled jobs currently make them undesirable for domestic workers.[85]

Migration policy fit for a globalised world

Migration is inherently an international phenomenon. Its causes and effects transcend the boundaries of the nation-state: they are typically rooted in, or productive of, broader global dynamics. Yet, migration is rarely considered in this way by either the public or within a policy sphere.

The modelling in the previous section showed that push factors in some of the UK's source countries are likely to intensify significantly over the next two decades, leading potentially to increased migrant supply. This intensification in push factors is first and foremost a product of global inequality; for example, the result of development transitions in countries such as Bangladesh and Nigeria. It is noteworthy that should these countries reach a more advanced stage of development, the push to migrate would wane.

There are three important implications of placing migration within a global frame in this way.

First, migration policy in developed countries needs to take into consideration likely supply-side trends. Quite apart from political and ethical considerations, setting domestic limits on the number of migrants in the absence of such considerations is likely to be ineffective in practical terms.

If development transitions do indeed lead to the increased supply that historical data and analysis in the previous chapter would suggest, then significant securitisation of borders would be required to enforce any cap. But this in itself is rarely a successful migration control mechanism and is also costly. The UK Border Agency already has a budget of just over £2 billion, of which £242 million was spent on border security in the 2008/2009 financial year and a further £871 million on migration.[86] Not only would heightened securitisation increase these costs but it is also unlikely to prevent an increase in undocumented migration. Undocumented migration is associated with lost economic revenue and missed opportunities for social integration. A study for the Greater London Authority recently estimated that integrating undocumented workers could net the economy an additional £3 billion.[87]

There is evidence to suggest that such tightening may also result in more permanent migration, rather than short-term and circular migration.[88] Typically, migrants, especially those who are young and single, tend to move to where there are jobs, moving between home and multiple destination countries. However, once this freedom of movement is removed, migrants are much more likely to stay in the country where they consider there to be greatest likelihood of finding work over the long term.[89,90] Perhaps the best illustration of this phenomenon in the UK context is the recent pattern of Eastern European migration. Migrants from A8 countries have tended to come and go in line with the UK economic context[91] (see Figure 5), perhaps because they know they can return if the labour market picks up. This helps to ease tightness in the labour market during a recession.

Secondly, the development transitions currently being experienced in countries such as Brazil, India, and China – sometimes, together with Russia, referred to as BRIC countries – will see these states emerge as increasingly important economic players. For the sake of its own economic prosperity, the UK will need to have strong relationships with these countries. A restrictive migration policy has the potential to damage these relationships, as was made abundantly clear by the reaction to David Cameron's recent visit to India. The Prime Minister travelled to India with the explicit aim of building stronger trade links with the emerging economy but quickly ran into Indian opposition regarding the planned cap on migration. The contradiction in asking for greater access to the Indian economy, whilst rejecting Indian migrants was considered by some as an insult. These types of conflicts are only likely to heighten as emerging economies become more powerful. It points to the need for further integration of migration policy and trade policy.

The third, and related, implication is that migration policy needs to be joined up with development policy. This is often rhetorically acknowledged by Ministers and government, but rarely put into practice. Where debate takes place, it tends to focus on how best migrants' remittances and foreign-learned skills might be deployed within their countries of origin, rather than exploring and attempting to rectify the factors that lead to increasing migratory flows.

A joined-up approach is essential for two main reasons:

- In line with development transitions migration theory, development of poor countries is key to reducing migrant push factors. A joined-up approach, therefore, has the potential to address *causes* rather than rely on harsh, and ethically questionable, post-facto control mechanisms such as highly securitised borders; i.e. effective development plays a key role in effective migration outcomes. A more equal world will reduce unbalanced migration flows that cause problems for both host and source countries.
- Furthermore, migration policy attuned to impacts on source countries has the potential to set up a virtuous cycle whereby adverse developmental impacts – such as those associated with loss of skilled workers – are minimised and positive developmental outcomes are enhanced, with the result that over the longer term the intensity of push factors is reduced.

The importance of the first point is clearly illustrated by the evidence around the inverted u-shaped migration pattern.

In terms of the latter, an increasing amount is known about when migration is of benefit to underdeveloped source countries and when it is detrimental. Primary concern is usually around what is commonly dubbed the 'brain drain'. This is characterised by a large outflow of skilled migrants that depletes human capital stock in the sending country. Often this outflow is acutely manifest in key professions, such as healthcare. There has been some suggestion in the recent literature that skilled migration may actually benefit sending countries by stimulating the flow of remittances and enabling skill transfer on return migration.[92] However, whether skilled migration is of benefit to the sending country is critically dependent on the level of migration. Docquier estimates that the optimal level of skilled migration for developing countries is between five and ten per cent. Detrimental effects are experienced once migration reaches 15 to 20 percent.[93] While for 41 per cent of developing countries skilled migration rates are at less than ten per cent, rates in some regions – particularly sub-Saharan Africa and Central America – far exceed 20 per cent.[94]

The degree to which remittance flows are able to offset the effects of the brain drain is also the subject of some debate. Remittance flows to developing countries grew substantially in the decade leading up to the current economic crisis, reaching an estimated $US305 billion globally by 2008 – more than double the level of development aid.[95] Yet, although remittances by definition relieve the poverty of their direct recipients, there is little evidence of developmental benefit to the receiving economies, as Ellerman notes 'increased income' has often failed to translate into 'increased development'.[96]

There are a number of reasons for this. Remittances by their nature constitute private transfers and, as such, are not available for governments to spend on 'public goods', such as education, public services, and infrastructure. Where remittances are used to purchase imported goods the effects are most acute as there is virtually no benefit to the recipient country. It is also the case that remittances rarely flow to the poorest in a country as the cost of migration excludes these sections of the population from sending family members overseas. Moreover, in aggregate, there is considerable evidence that countries dependent on remittance flows are more vulnerable in an economic crisis. Remittance flows drop off sharply in a crisis – the World Bank predicted a fall of five per cent for 2009 – and the effect of this is further compounded by the return of migrants at times of recession to countries that have not been able, in the interim, to convert remittance income into economic development and jobs.

It is important to note that the potential detrimental impacts of skilled migration, and the limited ability of remittances to offset the losses involved do not mean that skilled migration from under-developed countries should be halted. Instead, it points to the need for *managed* migration that considers both source and recipient countries within a context where migration and development are necessarily seen as joined-up. In very specific policy terms, this would suggest consideration of mechanisms designed to redress the resource loss to developing countries, such as the institution of a government-to-government repayment of tax already paid on remittances in the migrant-receiving country, or the offer of gift aid incentives where the tax on remittances is devoted to development projects chosen by the tax-paying migrant. Compensating sending developing country governments for the loss of their skilled workers by refunding them the equivalent of those workers' high-income country wages, and/or refunding their training costs, would also effect a more realistic level of reduction in the perverse flow of benefits arising from migrant labour (Box 3).

Four principles for effective migration policy

Recent debates over migration policy have been locked into a narrow frame. In the context of public concern over the impacts of migration, the rhetoric of politicians has focused almost exclusively on tighter and tougher controls. It is clear from this report, however, that short-term and narrowly focused policies are not appropriate when applied to immigration legislation in the UK. Immigration is essentially a broad-based long-term issue that is globally anchored. Policies that fail to incorporate this perspective are simply unrealistic, and are ultimately likely to prove ineffective, for both the UK and its source countries.

This report has shown that migration to the UK is the result of a complex array of factors. Nonetheless, global inequality and the economic transitions being undergone by source countries are key ingredients. Successful migration policy – where this is measured both in terms of economic and social outcomes – will result only when migration policy is set within a frame that both effectively manages migration when it takes place and tackles its causes, particularly the gap between rich and poor countries.

Box 3. Compensating developing countries

A number of mechanisms have been proposed to offset the detrimental effects of large-scale skilled migration from developing to developed countries.

RemitAid: First proposed in 2005 by the African Foundation for Development (AFFORD), this mechanism proposes the institution of tax relief on remittances that are spent on activities that support Millennium Development Goals (MDGs), charitable objectives, or other sustainable development projects. Tax relief would be paid to collectives, rather than individual remitters, for further investment in productive development objectives.[97]

Government-to-government transfers: Various forms of government-to-government transfers have been proposed. Medact proposed the establishment of health sector restitution funds. This would see the UK government establish hypothecated funds in sending countries in line with the number of professionals registering to work in the UK from those countries. Medact suggested that such restitution should be based on the value of the immigrants' services in the host country, in order to redress the perverse flow of implicit subsidy from poor country health care users to the populations of rich receiving countries.[98,99]

Repayment of tax already paid on remittances in the host country: This government-to-government repayment would ensure that countries receiving immigrant professionals did not reap the benefit of the resources invested in their training by poor countries in the developing world.[100]

Tax remittances on projects chosen by the tax-paying migrant: This gift-aid incentive would be designed to enable migrants to select development projects in which to invest their remittances in their home countries, rather than devoting the funds exclusively to private destinations.[101]

The objective of this report has not been to provide policy 'solutions', but to put forward principles for a migration policy framework that will lead to better outcomes for the UK and address our responsibilities within a globalised world. However, we recognise that significant change in policy can only come with public support, hence a need for shift in government and media rhetoric on immigration.

To summarise, these principles are as follows.

Principle 1: Migration policy should be set with due consideration to long-term trends

Ensuring that the outcomes from migration are positive requires attention not just to what happens today or in the lead-up to the next election, but to a consideration of what is likely to occur over the longer-term. This might be changes on the supply-side – such as the development transitions modelled in Section 1 – but could also be demand-side factors, such as demographic or labour market changes.

Principle 2: Migration policy needs to be understood and pursued within its globalised context

Migration is by its very nature an international phenomenon. Outcomes for both host and source countries will be better when it is understood as such, and policy achieves a joining up of development and migration objectives.

Principle 3: Effective management of migration – where this relates to impacts on host and source countries – needs to be a key focus

The effects of migration on a host or source country are not simply a product of how many individuals are coming and going. Rather, they are mediated by how that migration is managed. In terms of host countries, this means that migrant settlement and integration must be made a policy priority and funded at an appropriate level. Making adequate provisions for public services, for example, will be a key part of this. In the context of source countries, effective management might relate to mechanisms that reduce the likelihood of the large scale loss of skilled workers.

Principle 4: Government rhetoric and media releases on immigration issues should reflect the real long-term interests of the country, rather than reinforce misinformed public perceptions for short-term political gain.

Governments must inform, as well as follow public opinion, and a failure to draw public attention to the realities and global scale of immigration is neither helpful nor effective. Some form of cross-party co-operation would be beneficial in order that the immigration question is not subjected to tactics designed to win votes, but is treated as an issue of long-term international and national concern.

Appendix A. NINO registrations and immigrant stock tables

Table A1. Countries with over an average of over 1000 National Insurance number (NINO) registrations between 2006 and 2008.

	Country	NINO registrations (thousands, average 2006–2008)
1	Poland	196
2	India	50
3	Slovak Republic	28
4	Pakistan	24
5	Australia	23
6	Republic of Lithuania	21
7	France	21
8	Germany	15
9	Romania	15
10	South Africa	15
11	Italy	14
12	Peoples Republic of China	14
13	Nigeria	14
14	Hungary	12
15	Portugal	12
16	Czech Republic	11
17	Spain	11
18	USA	11
19	Republic of Ireland	10
20	Bulgaria	10
21	Bangladesh	10
22	Rep of Latvia	10
23	Philippines	9
24	New Zealand	8
25	Netherlands	7

	Country	NINO registrations (thousands, average 2006-2008)
26	Nepal	6
27	Brazil	6
28	Sri Lanka	6
29	Canada	5
30	Ghana	5
31	Turkey	5
32	Sweden	5
33	Malaysia	4
34	Thailand	4
35	Zimbabwe	4
36	Greece	3
37	Iran	3
38	Somalia	3
39	Iraq	3
40	Colombia	3
41	Russian Federation	2
42	Japan	2
43	Afghanistan	2
44	Jamaica	2
45	Denmark	2
46	Belgium	2
47	Mauritius	2
48	Republic of Estonia	2
49	Ukraine	2
50	Kenya	2
51	South Korea	2
52	Eritrea	2
53	Austria	2
54	Norway	1
55	Finland	1
56	Switzerland	1
57	Algeria	1
58	Cyprus	1
59	Egypt	1
60	Tanzania	1

Source: DWP Tabulation Tool, NINO registration data, 2006-2008.

Table A2. Top 20 most common countries of birth

	Country	Estimate
1	India	660
2	Poland	503
3	Pakistan	433
4	Republic of Ireland	408
5	Germany	295
6	South Africa	221
7	Bangladesh	209
8	United States of America	184
9	Kenya	148
10	Jamaica	147
11	Nigeria	146
12	France	125
13	Australia	123
14	Philippines	118
15	Zimbabwe	110
16	Sri Lanka	109
17	Italy	105
18	Somalia	101
19	Ghana	97
20	China	94

Source: Annual Population Survey (APS)/Labour Force Survey (LFS) 2009, ONS.

Appendix B. Projection methodology

The country projections involved three key stages:

Stage 1: Projecting development stage

For each of the countries selected, GDP PPP projections using PWC rates of increase[102] were obtained for each year between 2010 and 2050. These projections were then marked in accordance with the de Haas (2010) GDP PPP thresholds (Table A3).

Stage 2: Linking migration levels

This stage involved linking development stages to changes in emigration stock levels using de Haas (2010) thresholds. However, as de Haas had rounded averages for groups of countries, changes in emigration stocks were adjusted for specific starting points. For example, Bangladesh had an emigration stock of 3.4 per cent while in the middle of the lowest GDP PPP per capita group. The change in emigration stock between 2005 and 2050 was calculated so that once Bangladesh moved into the middle of the second GDP PPP group its emigration stock equalled 1.315 times more than in the middle of the last threshold. This way changes in emigration were smoothed through time, rather than having big jumps at the point when each country achieved a new GDP PPP threshold.

Stage 3: Overall changes

To ascertain the overall pattern of migration supply, emigrant stocks were summed across the 22 countries modelled. To do this, emigration stocks for each year were multiplied according to UN population projections. While these emigration stocks were not weighted according to demographic structure, the mix of countries with an ageing and younger population should help to cancel out some of the impact on the final projection figures.

Table A3. de Haas thresholds adjusted for selected countries

De Haas GDP PPP per capita thresholds	de Haas group average emigration stock (not including island/ micro states)	Percentage change in emigration stock	Example adjustment for emigration stock in middle of GDP PPP group
<2083	5.4%		3.4
2083–5000	7.1%	31.5% increase	4.5
5000–9032	12.7%	78% increase	8.0
9032–22273	6.7%	47.2% decrease	3.8
>22273	7.2%	7.5% increase	4.0

Source: de Haas (2010)[103]

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