

## Impact case study (REF3)

<b>Institution:</b> Royal Holloway, University of London		
<b>Unit of Assessment:</b> 16 Economics and Econometrics		
<b>Title of case study:</b> Shaping immigration policy and informing debate for Post-Brexit Britain		
<b>Period when the underpinning research was undertaken:</b> 2006-2020		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Jonathan Wadsworth	Professor of Economics	Since 1995
<b>Period when the claimed impact occurred:</b> 2016-2020		
<b>Is this case study continued from a case study submitted in 2014?</b> N		
<b>1. Summary of the impact</b>		
<p>Professor Wadsworth's research has influenced policy and public debate in relation to immigration to the UK through three main channels. First, it has informed policy recommendations and advocacy from key policy bodies, think tanks and policy research institutions. Research findings showed small effects on immigration on the wage and employment outcomes of UK-born individuals that were concentrated on low-skill workers. These results informed several major policy recommendations made by the Home Office sponsored Migration Advisory Committee which, in turn, informed the 2018 government's White Paper on post-Brexit immigration policy. Second, as a leading authority on UK labour markets, he has gained membership of policy committees that advise the government on matters of immigration policy and underpinning data. Third, through widely circulated commissioned policy briefs and high-profile keynotes to non-academic audiences (think tanks and policy-makers), Professor Wadsworth's research has influenced the public and learned discussion on post-Brexit immigration policy.</p>		
<b>2. Underpinning research</b>		
<p>There has been widespread belief that immigration from the EU had a detrimental effect for British workers on the UK labour market. Professor Wadsworth's research produced a number of important insights about the effects of immigration on wages and employment and about how immigrant and UK-born workers compete. This new evidence, described in the next few paragraphs, has influenced how stakeholders in the UK think about the impact of immigration and the role of immigration policy. His research became particularly salient in relation to the debate and policy design for post-Brexit Britain.</p> <p>First, Professor Wadsworth's research found that immigration had had little effect on the wage and employment outcomes of UK-born individuals. This was found to be true even after 2004, when Britain opened the labour market to immigrants from Central and Eastern European countries that had recently joined the EU. This was a key puzzle in the analysis of the UK labour market as a large increase in immigration would have been expected to result in more competition for jobs and to put a downward pressure on wages. Yet the analysis of the data showed only a small effect of immigration on the wages of UK-born workers (References 1 and 2).</p> <p>Professor Wadsworth's research proposed a new methodology, highlighting the differences in the age and skill structures of the immigrant and native workforces. This indicated that the two were not perfectly substitutable, implying that immigrants did not necessarily compete for the same jobs as the UK-born workers (Reference 1).</p>		

The second important finding was that, while immigration did not significantly affect average wages and employment, it did affect the wage and employment structure, as immigrants compete more intensively with native workers for occupations requiring lower skills. This would mean that any adverse labour market effects of rising immigration would be more likely to be found among the less skilled native-born workers and not among highly skilled workers (Reference 1). However, Professor Wadsworth's findings show that, even if these negative effects may exist among certain groups, they are small. For example, he finds only a weak correlation between changes in the share of EU immigrants and changes in the share of native workers not in education, employment or training (NEET) across UK regions (Reference 2).

A third key finding is that different waves of immigrants were more likely to compete against each other. As a result, new immigrants affect the labour market outcomes of recent immigrants but less so the outcomes of distant-past immigrants or natives. (Reference 1)

Professor Wadsworth's research showed that the use of temporary restriction policies --like the ones imposed on immigrants from Romania and Bulgaria when they joined the EU in 2007-- had little effects on immigrants' labour market outcomes and welfare benefit claims (Reference 3).

### 3. References to the research

1. Manacorda, M, Manning A., and J. Wadsworth "The Impact of Immigration on the Structure of Wages in Britain", *Journal of European Economic Association*, 2012, Vol. 10, Issue 1, pp. 120-151. <https://doi.org/10.1111/j.1542-4774.2011.01049.x>
2. Wadsworth, J., (2018), "Off EU Go? Brexit, the UK Labour Market and Immigration". *Fiscal Studies*, Vol. 39, No. 4, pp. 625-649, <https://doi.org/10.1111/1475-5890.12177>. According to Wiley (the publisher), this paper is among the top 10% most downloaded papers between January 2018 and December 2019.
3. Ruhs and Wadsworth (2018), "The Impact of Acquiring Unrestricted Work Authorization on Romanian and Bulgarian Migrants in the United Kingdom", *Industrial and Labor Relations Review*, 71(4), August 2018, pp. 823–852. <https://doi.org/10.1177/0019793917735100>

The *Journal of European Economic Association* is deemed to have generated mostly 4\* publications in the last REF, according to a peer-reviewed analysis of 2014 REF data (<https://onlinelibrary.wiley.com/doi/full/10.1111/obes.12185>). This rating is consistent with the *Academic Journal Guide*, produced by the Association of Business Schools in 2018. In this guide, the journal *Industrial and Labor Relations Review* publishes research equivalent to 3\* and *Fiscal Studies* publishes research equivalent to 2\*. (<https://facultystaff.richmond.edu/~tmattson/AJG%202018%20Journal%20Guide.pdf>)

Professor Wadsworth has contributed in equal parts with Professor Marco Manacorda, Professor of Economics at Queen Mary, University of London and with Professor Alan Manning, Professor of Economics at the London School of Economics for the first reference and with Professor Martin Ruhs, Chair in Migration Studies and Deputy Director of the Migration Policy Centre at the European University Institute in Florence (on leave from the University of Oxford) in the third project.

### 4. Details of the impact

The rapidly rising level of immigration stimulated vigorous interest among policymakers and academic researchers regarding the effect of immigration on the UK labour market. Professor Wadsworth's research has influenced policy and the public discussion in relation to post-Brexit immigration to the UK through three main channels. First, his research output has informed policy recommendations and advocacy of key policy bodies, think tanks and policy research institutions. Second, his distinguished research on UK labour markets has gained him membership of policy committees that advice the government on matters of immigration policy

and underpinning data. Third, through widely circulated commissioned policy briefs and high-profile keynotes to non-academic audiences, Professor Wadsworth's research has influenced the public debate on post-Brexit immigration policy. Each of these points is discussed, in turn, below.

### **Informing policy and advocacy groups through research**

Professor Wadsworth's research directly informed several key policy recommendations made by the Home Office sponsored Migration Advisory Committee (MAC) in a report on post-Brexit immigration policy (E1) which, in turn, informed the 2018 government's White Paper on immigration, "The UK's future skills-based immigration system" (E3).

The MAC report focused on the current and likely future patterns of European Economic Area (EEA) migration and the impacts of that migration. Professor Wadsworth's research is widely cited throughout the report and informs the main conclusions and policy recommendations of the document. The MAC Report starts the Policy Recommendations section (Chapter 7) stating that *"our analysis of the impacts of EEA migration has led us to some conclusions about how the immigration system could be designed to better benefit the resident population."* Important points of this analysis are based on Professor Wadsworth's underpinning research. For example, the report concludes that *"there is no evidence that EEA migration has reduced employment opportunities for UK-born on average"* and that *"overall no evidence that EEA migration has reduced wages for UK-born workers on average"* (E1. Table 7.1, MAC Report). These views come directly from the review of the evidence (E1. Tables 1.1 and 1.3, MAC Report) where Professor Wadsworth's research is cited.

A second important conclusion, directly tied to the underpinning research described above, is that *"migration has slightly reduced employment opportunities for the UK-born, especially for the lower-skilled"* (E1. point 7.8, MAC Report). This feeds into the first recommendation for work migration post-Brexit in the report, which is that a *"general principle behind migration policy changes should be to make it easier for higher-skilled workers to migrate to the UK than lower-skilled workers"*. The report substantiates this recommendation by highlighting that *"a policy on work migration that provided greater access for higher-skilled migration while restricting access for lower-skilled workers to enter the UK would be consistent with the available evidence"* (E1. point 7.16, MAC Report). Other conclusions follow from this, such as the one to *"consider the abolition of the Resident Labour Market Test"* (E1. recommendation 7, MAC Report), that requires employers to prove that no settled worker could fill the vacancy, which hurts the recruitment of medium and high-skilled workers.

Several recommendations of this report were included in the 2018 government's White Paper on Post-Brexit immigration, drawing directly on Wadsworth's research, including "The UK's future skills-based immigration system" (E3, section 5). The government explicitly accepted the recommendations of the MAC report. For example, in the summary of proposals, the white paper states *"As recommended by the MAC, we will not impose a cap on the numbers of skilled workers"* (E3, point 18) and *"In line with their recommendation we will therefore no longer require employers of skilled migrants to carry out a resident labour market test as a condition of sponsoring a worker"* (E3, point 19).

The research has also influenced key policymakers and stakeholders concerned with the effects of immigration on labour markets. Widely cited, Wadsworth's research has framed public discussion and stakeholder groups. For example, the Resolution Foundation, a leading independent think-tank focused on improving the living standards for those on low to middle incomes, used Wadsworth's research to inform their report, "A Brave New World. How reduced migration could affect earnings, employment and the labour market" (E4.1). The report's main conclusion that *"a fall in inward migration will not significantly help boost wages"* draws from Professor Wadsworth's findings that negative effects on earnings were very small and could only be found among the low-skilled (and particularly, among previous migrants). Also, the Institute for Public Policy Research (IPPR) Commission on Economic Justice's "An Immigration Strategy

for the UK” in their prescriptions for future immigration Policy (E5) uses Professor Wadsworth’s commissioned policy brief to state that “*Most empirical evidence from the available labour market data indicates that increases in the numbers of migrants have either no statistically significant impact or a very small negative impact on native wages (Wadsworth 2015)*”. Other think tanks, like the National Institute of Economic and Social Research (NIESR), and advocacy groups on both sides of the immigration debate cite the underpinning research including Migration Watch and the Migration Observatory (E4.2-E4.4).

### **Shaping policy through membership of policy committees and expert panels**

Professor Wadsworth’s research record has gained him membership of several policy committees that have allowed him to influence government agencies on matters related to immigration policy and underpinning data.

He has been a member of the Migration Advisory Committee between 2007 and 2017. Of his time there, [text removed for publication] of the MAC during that period writes in a testimonial letter that “[text removed for publication]”. (E2)

Wadsworth’s knowledge of the sources of immigration data that underpin his work has led to his membership of the Office for National Statistics (ONS) Migration Statistics Stakeholders Panel. In that Panel, Wadsworth pointed out to some discrepancies in the official numbers of immigrants as measured by two different sources he used in his research (the Labour Force Survey (LFS), that measures stocks, and the International Passenger Survey (IPS), that measures flows). This led to a downgrading of the IPS-generated information by the ONS to ‘experimental’ status, because of concerns about its coverage and weighting (E9 and 10).

Wadsworth has also used the findings of his research on skill shortages and earnings in relation to immigration to assist with issues related to the recruitment and retention of nurses facing Agenda for Change (AfC), the current National Health Service (NHS) grading and pay system for NHS staff, in his role as a member of the NHS Pay Review Body from 2017 (E6).

### **Enabling the understanding of complex migration issues among policymakers and journalists**

Professor Wadsworth’s research has been leading the evidence-based discussion on the effects of immigration by writing non-technical reports that have been used by journalists to access the evidence generated in his academic research.

For example, based on his academic articles, Professor Wadsworth has written policy briefs for The Centre for Economic Performance (CEP) at the London School of Economics (LSE). The purpose of these briefs was to inform the discussion surrounding the effects of immigration for the UK and its implications for the Brexit debate. These two documents, and associated blog posts, are aimed at a wider readership and have received substantial attention from journalists, policy bodies, think tanks and general public. For example, the brief “Brexit and the Impact of Immigration on the UK” has been downloaded more than 368,000 times since its publication in March 2017. The brief “Immigration and the UK Economy” has been downloaded more than 259,000 times in the same period.

These briefs and the underpinning research have apprised specialised journalists who have informed the national discussion on immigration on different media outlets (including The Financial Times, The Economist, The Guardian, The Independent, The Spectator and the BBC, among others). E7 and E8 are examples of articles that have taken a stance on the immigration debate based on Professor Wadsworth’s research. The Economist article (E7, Circulation in 2016 above 1,500,000 per week, including more than 300,000 digital subscribers) uses the findings of Reference 1 above (“immigrants to Britain are imperfect substitutes for native-born workers, so they have little impact on natives’ job prospects or wages”) to discuss the complexity of the immigration debate. The Independent (E8, by 2016 The Independent has gone fully

digital, with a readership in excess of 21,000,000 per month) uses figures from Reference 2 and states “Jonathan Wadsworth, Professor of Economics at Royal Holloway, University of London, has found no correlation between local average wage growth and the local share of migrants in a local workforce.”

#### 5. Sources to corroborate the impact

E1 Migration Advisory Committee (MAC), “EEA migration in the UK: Final Report” (pages 9-31), September 2018

E2 Testimonial: [text removed for publication] dated 18/10/19

E3 “The UK’s future skills-based immigration system”, HM Government, December 2018

E4 A Collection of Advocacy groups and Think Tank Reports:

1. “A Brave New World. How reduced migration could affect earnings, employment and the labour market”, Resolution Foundation (August 2016);
2. “The Economic Impact of Brexit-induced Reductions in Migration”, NIESR, December 2016);
3. “The Fiscal Effects of Immigration in the UK 2014/15”, Migration Watch UK (May, 2016);
4. “The Labour Market Effects of Immigration: The Migration Observatory (February, 2020).

E5 “An Immigration Strategy for the UK”, IPPR Commission on Economic Justice” (December 2017).

E6 Government’s description of Professor Wadsworth’s expertise and role in the NHP Pay Review Body and, previously, in the Migration Advisory Committee

E7 “Needed but not wanted”, The Economist (9/16) (Circulation in 2016: above 1.5 million per week, including more than 300,000 digital subscribers).

E8 “What do immigrants do for the UK economy? Nine charts Conservative ministers seem to be ignoring”, The Independent (10/16) (By 2016 The Independent has gone fully digital, with a readership in excess of 21 million per month.)

E9 “ESCoE 3.1: Scoping report on migration mirror statistics and LTIM/LFS triangulation”, Andrew Aitken, Jonathan Wadsworth, Michael O’Connor, Jonathan Portes and Augustin de Coulon, 7/19.

E10 Migration Statistics Quarterly Report: August 2019, ONS.