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IMMIGRATION, FREE MOVEMENT AND THE EU REFERENDUM

Jonathan Portes*

Immigration and free movement are central issues in the UK's referendum on EU membership. Although free movement was a founding principle of the EU, it only became of central economic and political importance after the expansion of the EU eastward in 2004. For the UK, the economic impacts of recent EU migration appear to have been relatively benign, even for the low paid and low skilled. The UK's recent 'renegotiation', which focused on the largely irrelevant issue of 'benefit tourism', will make little difference. A vote to Leave, however, will potentially take us into new territory for UK immigration policy.

Keywords: immigration; free movement; European Union

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Introduction

Immigration has long been a salient and disputed issue in British politics. This was the case 40 years ago; the government's decision to admit a substantial number of refugees of Indian ethnicity from former British colonies in East Africa was hotly disputed, and then as now a large majority favoured much tighter restrictions on immigration to the UK. But it scarcely figured as an issue in the 1975 referendum on whether the United Kingdom should remain a member of the European Union (then the European Economic Community).¹ Indeed, if anything, there was actually a small negative correlation between attitudes to immigration and to the EU (that is, those who thought immigration was too high were slightly more likely to vote to stay in (Evans and Mellon, 2015).

Today, the opposite is the case. Negative attitudes to immigration, and in particular free movement within the EU, are by far the strongest predictor of opposition to UK membership. This is true in raw polling data, but also when controlling for socio-demographic factors (Vasilopoulou, 2016). This article examines the history of free movement within the EU, and in particular the origins and impact of the decision to allow immediate access to the labour market for workers from the new Member States in 2004. It then considers the impact of the referendum; first, it examines the motivation for and likely impact of the UK's renegotiation of various

provisions relating to free movement, and second, possible options for changes to UK immigration policy in the event of Brexit.

Free movement of workers

The EU was founded on four basic principles: free movement of labour, capital, goods and services: these 'four freedoms' were set out in the original Treaty of Rome, which spoke of the "abolition, as between Member States, of obstacles to the free movement of persons" (European Commission, 1957). While the primary driver may have been a desire to promote European integration for its own sake, the founders of the EU also believed that there were large economic benefits. In fact, economic theory is ambiguous on whether factor mobility (in this context, the free movement of labour and capital) is a complement or a substitute to free trade (the free movement of goods and services). In a standard Heckscher-Ohlin model, they are pure substitutes. Either free trade or factor mobility will increase the efficiency of resource allocation and will maximise overall welfare; it is not necessary to have both.

Similarly, capital mobility may in some circumstances be a substitute for labour mobility. But in more recent, and arguably more realistic, trade models the picture is much less clear (see Venables, 1999, for a review). The general

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consensus among economists is that labour mobility, like trade, is welfare-enhancing, although there may be significant distributional effects. Ozden (2015) provides a useful summary of the consensus view.

However, while the economic case may be strong in principle, other free trade areas (for example the North American Free Trade Area) or even customs unions do not typically involve free movement of people. So, from a purely economic perspective, free movement was not a necessary part of the European project; it would have been possible to have a customs union, and an integrated economic space, without it; the decision to make it one of the founding principles was a political as well as an economic choice. Labour mobility was complementary not just to the economic aspects of European integration but to its wider political objectives. The commitment to free movement of workers set out in the Treaty was bolstered by a further Directive in 1968.

The period from the late 1950s to the early 1970s saw strong economic growth in most of the EU. Demand for labour was strong and unemployment low. However, intra-EU labour mobility remained quite low, compared to for example the US, although there were significant flows from Italy to other EU countries, especially France. Labour demand was therefore largely met by immigration from outside the EU, especially Turkish ‘guest workers’ in Germany, North African migrants to France and – although the UK was not yet an EU Member State – Commonwealth migrants to Britain. (Kokkailainen, 2011).

So when the UK joined the EU in 1973, and subsequently voted to remain a member in 1975, the potential impact on either UK immigration policy, or the level and nature of immigration to the UK, appeared to be relatively small. The economic crisis of the 1970s led to a sharp reduction in labour demand, and most EU countries, including the UK, attempted to reduce labour migration. Intra-EU mobility remained quite low throughout the 1980s and 1990s. The accession to the Union of Spain and Portugal in 1986 did not lead to a significant increase. Although they had traditionally been countries of emigration, EU accession (and large inflows of EU funding) led swiftly to rapid economic growth and ample domestic demand for labour.

The 1980s and early 1990s did see a renewed push for greater market integration, launched, with the strong support of the UK, under the umbrella of the ‘Single Market’. However, the Commission’s 1985 White Paper, which identified obstacles to the Single Market

and set out proposals to address them, devoted only one relatively anodyne page to free movement: the focus was very much on product markets (European Commission, 1985).

So by 2000, although increasingly economically integrated in terms of trade, and despite the political commitment to free movement, only slightly over 1 per cent of EU citizens lived in a country other than their country of birth, and the previous decade had seen only a very modest upward trend (Varga and in’t Veld, 2014). Approximately 2 per cent of the UK population was born elsewhere in the EU.

The potential downsides of this lack of mobility, despite the formal right to free movement, became more salient as the EU moved towards monetary union. The standard theory of optimal currency areas suggested that the costs of giving up the exchange rate as an adjustment mechanism (as a consequence of entering into an economic union) would be reduced if other adjustment mechanisms, in particular labour mobility, were able to operate (Mundell, 1961). There was therefore considerable concern that the lack of labour mobility posed a threat to the efficient operation of the incipient monetary union; this debate is summarised in Varga and in’t Veld (2014).

Partly in response to these concerns, the EU undertook a number of initiatives designed to turn “free movement of workers” from a formal right to one that appeared a realistic prospect to EU citizens. In particular, the Free Movement of Citizens Directive (European Commission, 2004) simplified, consolidated and considerably extended the right to free movement for EU citizens, not just to take a job but to look for one, and to be accompanied by family members (including non-EU citizens) as long as those exercising free movement were not an “undue burden”. This also extended to non-discrimination against EU citizens, except in limited and temporary circumstances, in the operation of the benefit system.

The 2004 and 2007 accessions

The accession, in May 2004, of ten new Member States, including a number of members of the former Soviet bloc (often referred to as the Accession 8, or A8 or EU-8, states – Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Estonia, Latvia and Lithuania), radically changed the dynamic of intra-EU labour mobility. As set out above, free movement had (from an economic perspective) originally been motivated by, first, theoretical arguments about optimal resource allocation; and, second, by its potential to serve as an adjustment

mechanism in the face of asymmetric macroeconomic shocks. It had not been seen as operating in an area where there were very large, persistent, structural differences in wage levels, as was now the case.

Given these disparities, there was clearly a possibility of much larger intra-EU flows than had previously been the case. A number of Member States therefore took the opportunity permitted by the accession treaties to impose 'transitional' restrictions on free movement of workers.

The UK (together with Ireland and Sweden), however, did not. A myth has since emerged that the main reason the UK government granted immediate access was because of a supposed 'Home Office forecast' that only 13,000 migrants would arrive. In fact, the forecast in question (Dustmann *et al.*, 2003) was independent external research, commissioned but not produced by government, and was to a certain extent already irrelevant by the time the decision was taken (since it was conditional on all EU countries granting immediate labour market access). Within government, there were three far more important arguments for the decision.

First, the broader geopolitical one. The UK had long been the most vigorous proponent of membership for the countries of the former Eastern bloc; they were seen (correctly) as likely allies for the UK's generally liberal positions in EU debates. So the decision was seen as a way of cementing our relationship with them, and in particular the Polish government.

Second, the broader economic and labour market impacts. The UK labour market was buoyant; and all the analysis suggested that immigrant workers – particularly the reasonably well educated and motivated ones likely to arrive from the new Member States – were likely to boost the UK's economy without doing much, if any, damage to the prospects of native workers.

And third, the practicalities, given the UK's relatively light touch approach to labour market regulation. There was no legal provision which would have allowed the UK to deny the right of visa-free entry to the citizens of the new EU member states: the only available option was to prevent them from working legally as employees. The assumption within government was therefore that the impact of imposing transitional restrictions would be a very large increase in illegal working. This hardly seemed like an attractive alternative.

In 2007, Bulgaria and Romania joined the EU; this too led to a significant increase in flows, although this

time Spain and Italy were major destination countries. The UK and most other countries imposed transitional restrictions, which were finally lifted in all EU countries by 2014, so there is now complete free movement for the EU27 (some Member States still impose restrictions on Croatian nationals).

Impacts

The impact of accession on intra-EU migration flows was large and sustained, with substantial increases in migration to all the major economies of the existing EU, even the ones that did impose restrictions, like Germany, but in particular the UK and Ireland. Goodhart (2013) described the influx of A8 nationals to the UK as the "biggest peacetime movement [of people] in European history.

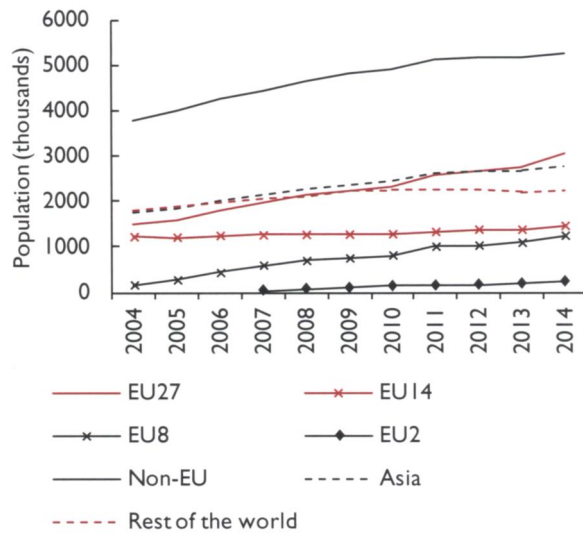
Holland *et al.* (2011) found that enlargement tripled (relative to a no-enlargement counterfactual) A8 migration to the EU-15. The main drivers were economic: Kahanec *et al.* (2014) found that migration responded both to structural economic differences between Member States, and to short-term economic shocks; and that accession had led to significant increases in mobility, albeit hampered in part by the imposition of transitional restrictions. At an individual level, the vast majority of migrants moved to work, attracted by either higher wages or greater job opportunities. Location decisions were also influenced by cultural factors and network effects (Galowski *et al.*, 2009).

The financial crisis and ensuing recession did temporarily reduce flows to the UK in the 2008–12 period. However, since 2013, recovery in the UK labour market, continuing economic difficulties in some eurozone countries, and (in 2014) the ending of transitional restrictions on Bulgarian and Romanian nationals have resulted in a further sharp rise in the migration of EU citizens to the UK.

Over the past decade, then, the UK resident population originally from other EU member states has more than doubled, to more than 3 million, and continues to rise rapidly. Even this may understate the possible impacts on the UK labour market: over the past four years, more than 2 million EU nationals have registered for UK National Insurance numbers, required for (legal) access to employment. It is unclear whether the disparity between this and the official immigration statistics reflects very short-term and seasonal migration, or other factors such as under-recording.

As noted above, the primary motivation for migration was work, and most new migrants are in employment,

Figure 1. Estimate of the resident population of the UK by non-UK country of birth, 2004–14



Source: Annual Population Survey (APS), Office for National Statistics.

Notes: (1) EU27 consists of the countries in the EU14, EU8, EU2, Malta, Cyprus and Croatia (from 1 July 2013). The UK is not included in this group. Between 2004 and 2006 this grouping was known as the EU24 and included the countries in the EU14, the EU8, Malta and Cyprus. In 2007 this grouping became the EU26, to include Bulgaria and Romania, who acceded to the EU on 1 January 2007.

(2) EU14 consists of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Republic of Ireland, Spain and Sweden.

(3) EU8 consists of the Eastern European countries that joined the EU in 2005: Czech Republic, Estonia, Poland, Hungary, Latvia, Lithuania, Slovakia and Slovenia.

(4) EU2 consists of the two countries that joined the EU in 2007: Bulgaria and Romania.

(5) Non-EU consists of all those countries not in the UK or EU27 groups. This group excludes Croatia from 1 July 2013 when it joined the EU. Estimates for non-EU have also been split geographically to provide estimates for Asia and the Rest of the World.

with employment rates for intra-EU migrants well above rates for natives. One notable feature of migrants from the new Member States was that, although they were not necessarily low skilled, they primarily moved into low skilled employment in destination countries, and were concentrated in certain sectors (for example, construction, retail, hospitality, domestic work, food processing and agriculture) (MAC, 2014).

Standard theory predicts that a substantial movement of ‘low skilled’ workers from relatively low wage/low productivity economies to higher wage/productivity economies will (assuming that the workers are employed in relatively low skilled jobs) result in:

- increased output, although impacts on per capita output will be considerably smaller, and possibly ambiguous;
- an increase, possibly temporary, in the skill premium (the wage of a skilled worker relative to an unskilled one) and hence in wage inequality;
- depending on labour market institutions, a possible impact on unemployment.

Public and policy concern has focused on the distributional impacts – in particular potential negative impacts on employment and wages for low skilled workers. Although the broad consensus in the economic literature is that negative impacts of migration for native workers are, if they exist at all, relatively small and short-lived (see, for example, Constant, 2014) much of this literature is US-based; there was almost no empirical literature on the economic impact of immigration to the UK before 2004. Unsurprisingly, given the size of the migratory flows, this deficiency has now been remedied. There is now a considerable literature on the impact on the UK economy and labour market.

To the considerable surprise of many economists, including this author, there is now a clear consensus that even in the short term EU migration does not appear to have had a negative impact on the employment outcomes of UK natives. A comprehensive literature review by the UK government (Home Office and BIS, 2014) found that “To date there has been little evidence in the literature of a statistically significant impact from EU migration on native employment outcomes”.

While the evidence on wage impacts is less conclusive, the emerging consensus is that recent migration has had little or no impact overall, but possibly some, small, negative impact on low skilled workers. Nickell and Salaheen (2015) find that a 10 percentage point rise in the immigrant share leads to approximately a 1.5 per cent reduction in wages for native workers in the semi/unskilled service sector; this would mean that immigration since 2004 would have reduced wages for native workers in that sector by about 1 per cent, or put another way would have depressed annual pay increases by about a penny an hour.

Beyond the aggregate impacts on employment and wages, there may also be other impacts on labour market institutions and structures, positive and negative, particularly if migration results in labour market segmentation (MAC, 2014).

There is indeed some evidence of dual or segmented labour markets in some low paid sectors, for example food and drink manufacturing, where migrants are disproportionately represented in the seasonal, temporary or flexible workforce. The division is however, blurred with migrants having a greater or lesser presence by sector, location and over time (Rolfe and Hudson-Sharp, 2016). Of course, the existence of dual or segmented labour markets in low paid sectors pre-dates the arrival of EU migrants: the food and drink sector, for example, relied historically on women and itinerant workers in peak periods before it had access to migrants (Rolfe and Hudson-Sharp, 2016).

The increased use of temporary work and flexible contracts in low pay sectors such as hospitality and food manufacturing is due to structural factors and competitive pressures on firms rather than labour market strategies in themselves (Rolfe and Hudson-Sharp, 2016). Given that these pressures are part of the context in which they operate, employers argue that the availability of migrants has allowed their businesses to be competitive and to expand in a way which would not have been possible given relatively low levels of unemployment in the past decade (Rolfe and Hudson-Sharp, 2016). The needs of employers in low skilled sectors and of new migrants have been well-matched: migrants take low skilled jobs in these sectors because they offer an easy entry to the UK labour market, allowing them to work long hours through overtime without long-term commitment (Anderson *et al*, 2006; Green *et al.*, 2013; Pauritus, 2014). The offer of temporary work with flexible or 'zero hours' contracts is, in contrast, unattractive to many UK workers and problematic for those coming off unemployment benefits. An additional feature of Eastern European migration in particular has been a willingness to live and work throughout the UK, while previous migrants have been drawn largely to the South East and to urban conurbations (Rolfe and Hudson-Sharp, 2016).

The consensus, then, is that the impact on the UK labour market has been relatively benign. As one recent evidence review (Wadsworth and Vaitilingam, 2015) summarised:

“On balance, the evidence for the UK labour market suggests that fears about adverse consequences of rising immigration in general and EU immigration in particular have still not, on average, materialised. It is hard to find evidence of much displacement of UK workers or lower wages, on average. Immigrants, especially in recent years, tend to be younger and better educated than the UK-born and less likely to be unemployed. But there have been some effects. The

less skilled may have experienced greater downward pressure on wages and greater competition for jobs than others, but these effects still appear to have been small.”

Given the labour market impacts, fiscal impacts too might be expected to be positive. Dustmann and Frattini (2014) found that migrants from the EU to the UK made a significant positive contribution to the public finances, even during periods when the UK as a whole was running a fiscal deficit. Of course, it is hardly surprising that young migrants in employment make an initial positive fiscal contribution; proper assessment of fiscal impacts requires a lifecycle perspective (Preston, 2014). In this context, there are various reasons to expect the impact still to be positive (in particular, migrants tend to arrive after they have left compulsory, publicly financed education). This issue is discussed below in the section on the future impacts of immigration policy changes.

However, positive net impact on public finances at the national level does not preclude significant impact on demand (and hence cost) at the local level, particularly if funding allocations do not adjust quickly (or at all) to reflect pressures resulting from migration (George *et al.*, 2011). A notable recent example is the shortage of primary school places in some parts of the UK (especially London); this appears to be largely the result of poor planning on the part of central government, given the rise in the number of young children resulting from recent increases in migration (from both the EU and elsewhere).

Benefit tourism and the UK's renegotiation

As far back as 1993, Conservative opponents of the European Union focused on the issue of 'benefit tourism'. In his speech to the Conservative Party Conference, the then Secretary of State for Social Security, Peter Lilley, claimed (referring, apparently, to Italian, French and German nationals):

“Community rules have opened up a new abuse: 'Benefit Tourism'. People travelling around pretending to look for work, but really looking for the best benefits. Not so much a Cook's tour as a Crooks' tour. Gordon Brown claims our system is less generous than elsewhere in Europe. Then why do they come and scrounge off us? They certainly don't come here for the climate.”

In fact, the UK government has been notably unable to substantiate its position that 'benefit tourism' is a significant policy concern. There is no evidence that

access to the UK benefit system is a major driver of migration flows. Overall, migrants are under-represented among benefit claimants, and especially claimants of unemployment and other out-of-work benefits. And while it is EU migrants who claim significant amounts of ‘in-work’ benefits, which are available to low paid workers, especially those with children, most do so only after they have already been resident for several years, suggesting it has little to do with their original migration decision (Portes, 2015). The wider economic literature also supports the view that differences in benefit entitlements are not a significant driver of migration (Giuletti, 2014).

Nevertheless, migrant access to benefit entitlements was a key issue in the UK’s renegotiation. The ‘emergency brake’ will allow the UK to phase in entitlements to in-work benefits for new arrivals from the EU over a period of four years. But this arrangement will be time-limited – after seven years it will expire entirely, and we will be back to the status quo. The UK will also be allowed to reduce, but not eliminate, child benefit payments paid to those with children living abroad, initially for new arrivals but then from 2020 for existing migrants too. It is generally accepted (even within the UK government) that the impact of these provisions on benefit payments will be small, and on migration flows negligible.

Perhaps the real significance of the renegotiation is that it has clarified that, as set out above, free movement remains a fundamental principle within the EU; the UK has broadly accepted the status quo. There is no treaty change, now or promised, and the main measures the UK is entitled to impose are temporary and/or time-limited. That means the dividing lines for the referendum are more clearly drawn. If the UK votes to stay in, it will have accepted – however reluctantly – that staying entails a commitment to free movement of workers in the EU, both in principle and practice, and the resulting migration flows, with the impacts described above. If, however, it votes to leave, then it could potentially regain a considerable degree of flexibility. The next section explores policy options and potential impacts in such an eventuality.

Options for immigration policy after Brexit

The EEA option: modified status quo

Leaving the EU does not necessarily mean ending free movement. If we wanted to preserve access to the EU single market – as many of those who favour exit say they want – then the most obvious way to do so would be for us to join Norway (and Iceland and Liechtenstein)

as members of the European Economic Area. But free movement actually applies to EEA members on a similar basis as to EU members. Alternatively, we could emulate Switzerland, and negotiate bilateral agreements for market access. However, while the Swiss recently voted to impose quotas on EU migration, this has so far proved unacceptable to the EU; negotiations are continuing, but there is little prospect of a resolution before the UK referendum.

It is of course by no means necessarily the case that, post-Brexit, full freedom of movement would be a precondition for UK access to the Single Market. And even if it were it might well be possible for the UK to negotiate some restrictions that are not currently available (on benefit entitlement, for example). But it is certainly at least plausible that post-Brexit the best available option for the UK might simply be a somewhat modified version of the status quo. In that case, the impact on migration flows would be small – indeed, both Switzerland and Norway have higher levels of migration from within the EU than the UK does now.

If, however, we were no longer part of the EU free movement area, a sensible immigration policy would look quite different to current policy. There would be no rationale for, as we do now, offering completely free access to the UK labour market for workers, skilled or otherwise, from Bulgaria or Belgium, while imposing tight restrictions on even highly skilled workers with a job offer or scarce skills from India or Indonesia.

But this in itself does not say very much about what a post-Brexit system would look like. While proponents of Brexit frequently talk about an “Australian-style points system”, this begs more questions than it answers. In fact, as far back as 2008, the then government claimed that this was exactly what it was introducing. As Randall Hansen points out (Hansen, 2015), the countries with fully-fledged points systems (Canada and Australia) introduced them as a way of targeting growth in both overall population and human capital. So what might it mean in practice for the UK?

A restrictive system

If immigration and free movement are indeed the determining factor in the referendum result, there may be strong political pressure on a post-Brexit government to deliver very large reductions in immigration to the UK. Both inside and outside the government, those arguing for Brexit have long made the case that it is EU membership that prevents the government from delivering its popular pledge to reduce immigration to

“the tens of thousands”. Without the ‘excuse’ of freedom of movement, the government might be obliged to turn what is currently little more than an aspiration into a serious policy objective.

In practice, this would be extremely difficult. Migration Watch (2016), for example, argues that applying the same migration rules to EU nationals as currently apply to non-EU ones would reduce net migration by about 100,000. It follows that further significant reductions in non-EU migration – which is currently slightly higher than EU migration – would be required to meet the government’s pledge. The economic consequences would be significant. As Nardelli (2015) points out, in the short term a reduction in migration on this scale would jeopardise the government’s ability to achieve its fiscal targets. Looking at the longer term, Lisenkova (2014), using an overlapping generations model to project out the impacts of migration to 2060 for the UK, finds that migration has significant positive impacts on both GDP per capita and on the public finances over the very long term; a reduction in migration levels of 50 per cent would require an increase in the tax rate on labour income of about 2 per cent to preserve budget balance. This impact is particularly strong for intra-EU migrants, because of their young age structure and high activity rates.

At a sectoral level, the consequences of restrictions for some industries that rely on migration from within the EU to fill low skilled jobs would be very large. At least in theory, it is possible to construct a plausible economic rationale; while restrictions would cut growth in the short term, it might over time incentivise firms into productivity-enhancing investment or training. However, there is little or no evidence that occupational or sectoral usage of migrant labour is associated with lower levels of training (MAC, 2008). Other research has focused on migration from outside the EU and in relation to higher-level skills, but has similar findings (George *et al.*, 2012; CIPD, 2014). In low paid sectors the difficulty of attracting and retaining young people appears to act as a disincentive to training, rather than the availability of migrants (Rolfe and Hudson-Sharp, 2016).

In the event of much stricter restrictions on low skilled labour migration, employers would have a variety of alternative options, including increasing efforts to recruit local UK workers, young people or older workers (Ruhs and Martin, 2008; SQW, 2010, George *et al.*, 2012). Employers rarely state a preference for migrants or have in place a purposeful strategy to recruit them, and some employers in low paid sectors constantly review their recruitment strategies and possible alternatives to

EU migrant labour (Rolfe and Hudson-Sharp, 2016). However, employers identify problems with both the supply and quality of UK born workers, particularly in periods of (as now) low unemployment (Green *et al.*, 2013; CIPD, 2014, 2015; McCollum and Findlay, 2015; Rolfe and Hudson-Sharp, 2016). Employers in low skill sectors are also aware that various features of the jobs they offer, including low wages, unsocial hours, temporary work, low status and poor promotion opportunities, are unattractive to UK workers. It is likely that some sectors might therefore suffer significant recruitment difficulties. The incentives for irregular migration and illegal working would of course also increase significantly.

The evidence on the impact on wages suggests that there a restrictive policy might have some (relatively small) positive direct impact on wages for low skilled workers, although little or none for medium and highly skilled workers. However, the impact on incomes would be more than offset by the wider negative economic and fiscal impacts. Lisenkova (2014) suggests that the small positive impact on unskilled wages from lower migration is more than offset by the tax rises (or public spending cuts) resulting from the negative fiscal impacts, so real post-tax incomes would fall.

Equalisation – liberal

However, whether for political or economic reasons, some proponents of Brexit have argued that it would allow a more liberal approach to non-EU migration. For example, Migration Watch also claim that lower EU migration would “make room” for Syrian refugees, while Ukip now favours a significant increase in skilled migration from outside the EU to accompany a reduction in EU migration. This would mean that immigration continued to run at historically fairly high levels; it could, however, support a rebalancing from unskilled jobs to skilled migration. What would be the likely impacts?

If appropriately structured, a relaxation of controls on skilled migration could potentially relieve some of the barriers to growth imposed by current government policy. At the moment, the quota for Tier 2 skilled workers is preventing some companies from recruiting for skilled jobs, and the government intends to further tighten restrictions, despite the evidence that such restrictions are likely to further damage productivity and growth (MAC, 2016).

A particular issue would be the impact on relatively low paid, but skilled, occupations in the public sector, such as nurses. Current restrictions on non-EU migrants have led

to significant staff shortages. If a new system precluded EU migrants as well in these sectors, this would make things even worse; if, on the other hand, it allowed more non-EU migrants as well, matters might improve.

As noted above, the consequence for some sectors that rely heavily on migration from within the EU to fill relatively low skilled jobs could be significant.

The impacts on wages would be stronger and, for the unskilled, more positive in this scenario. Rebalancing towards higher skilled migration could, in principle, both raise wages for the lower skilled and improve the fiscal impacts of migration, boosting post-tax incomes.

Conclusion

Few would have predicted the centrality of free movement in the Brexit debate; its importance was certainly not anticipated by either supporters or opponents of the EU even a decade ago, let alone at the time of British entry. While the economic impacts of recent EU migration appear to have been relatively benign – even for the low paid and low skilled – it remains the most important issue for many, perhaps most, likely voters, and the ‘renegotiation’, which focused on the largely irrelevant issue of ‘benefit tourism’, has not changed that. This means that a vote to Remain will unequivocally be a vote for the status quo in this area. A vote to Leave, however, will take us into new territory for UK immigration policy, with potentially significant consequences; as yet, we have almost no detail on what those might be.

NOTE

I For simplicity I will refer to the ‘EU’ throughout.

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