

With or without EU?

How changes to European migration will affect cities after Brexit

Gabriele Piazza and Naomi Clayton
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Executive summary

The Government remains committed to reducing net migration and has restated in the latest Brexit white paper that Freedom of Movement will end as the UK leaves the EU. While there is still a great amount of uncertainty as to what the post-Brexit immigration system will look like with the details expected in the immigration white paper later this year, any change in migration will impact cities most as they are magnets for international labour.

This report considers the contribution that EU migrants make to urban economies in England and Wales, and the impact that changes to migration policy is likely to have on cities.

Key findings

- **Cities are the go-to place for EU migrants:** more than two-thirds of EU migrants live in cities, with London alone accounting for more than a third. This is because of the economic opportunities that cities provide, with the most successful places attracting the largest number of EU workers.
- **But net migration from the EU to UK cities is already falling following the EU referendum** prior to any significant policy change regarding EU migrants. This is a sign that the country is becoming a less attractive place to live and work.
- **The impacts of changes in migration are likely to differ across different cities and sectors.** This is likely to have a greater impact on some city economies as their labour markets – and certain sectors – have become more dependent on EU workers. Cities in the Greater South East, such as Cambridge, London, Peterborough and Oxford, are among the most reliant: in these places around one in every ten workers comes from the rest of the EU. And in certain sectors, such as hospitality and construction, this is significantly higher.
- **Overall, the profile of EU migrants suggests that they make a positive contribution to the economy:** they are younger, more qualified and more likely to be in work than the native population. Yet variations in the profile of migrant workers in different cities mean the economic and fiscal contribution of migrants is likely to vary from city to city.

Recommendations

- In moving towards a new immigration system, Government should ensure that there is a minimum two-year implementation period in place whether the UK leaves the EU with a deal or not. This will allow time to debate, construct and implement an immigration system that works for the whole economy.
- In designing a new immigration system, Government should explore all of the options available to them and ensure that any new system is responsive to the needs of the economy. This means dropping the net migration target and caps on visas, and recognising the importance of high-skilled and low-skilled migrants to the economy. As an overwhelmingly urban issue, Government should work with city leaders to design a national system that works for all parts of the UK.



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Introduction

Immigration has been a political ‘hot’ topic for the past decade. It was at the heart of the debate on the Brexit referendum and is now a crucial part of negotiations with the EU. Controlling and reducing net migration continues to be one of the Government’s objectives, and, while there has been some disagreement between ministers,¹ the UK-EU Future Relationship White Paper² published in July 2018 restates that Freedom of Movement will end as the UK leaves the EU. Further details on the Government’s post-Brexit immigration policy are expected in the white paper due to be published later this year.³

The most recent data shows a drop in net migration since the referendum, following record levels in 2015 and 2016.⁴ This is largely attributed to the fall in net migration from the EU, which is at the lowest level since 2013. As this drop has occurred before any migration policy change, it could be seen as a sign that Britain is becoming a less attractive place to live and work, potentially as people anticipate the changes likely to be brought about by Brexit.

Any significant fall in migration is likely to have negative economic impacts across the country. With three-quarters of the non-UK born population living in urban areas, migrants play an even more important role in cities and any change in migration is likely to affect them most (see Box 1).

With the Government having committed to ‘designing a system for all parts of the UK’⁵, this report looks at the latest trends in migration to cities, the role that international migrants play in cities in England and Wales and the impact that reducing migration is likely to have on local economies. It focuses on migrants from other EU countries as this will be the group most affected by changes to migration policy after Brexit.⁶

1 Elliot, F (2018), “Brexit: Free movement ‘is still on the table’”, The Times, 11th July 2018.

2 HM Government (2018), The Future Relationship between the United Kingdom and the European Union.

3 HM Government (2018), The Future Relationship between the United Kingdom and the European Union.

4 ONS (2018), Migration Statistics Quarterly Report: July 2018.

5 HM Government (2018), The Future Relationship between the United Kingdom and the European Union.

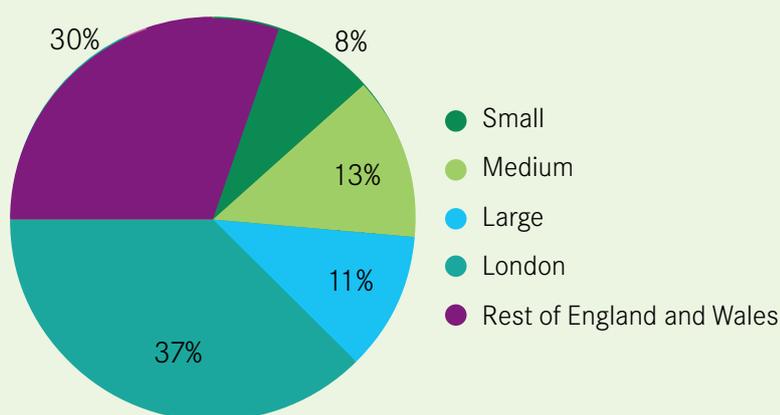
6 This report mostly uses data from Census 2011. This means that the data does not include EU migrants from Romania and Bulgaria.

Box 1: Cities will be most affected by changes to migration

All cities in England and Wales, with the exception of Blackpool and Sunderland, have seen an increase in their population in the past decade. Migration has been an important driver of this growth⁷ as the majority of cities have seen an increase in their foreign-born population. Projections suggest that some cities may see a decline in population without future migration.

Cities are the go-to place for migrants: in 2011, more than three-quarters of all the foreign-born population lived in cities. This reflects the economic opportunities these places provide. London alone accounts for over 41 per cent of the non-UK-born population living in England and Wales. A similar pattern is identifiable among the EU population: in the same year, more than two-thirds of EU migrants in England and Wales located in cities, with London accounting for more than a third as shown in Figure 1.

Figure 1: Share of EU population, by city size, 2011

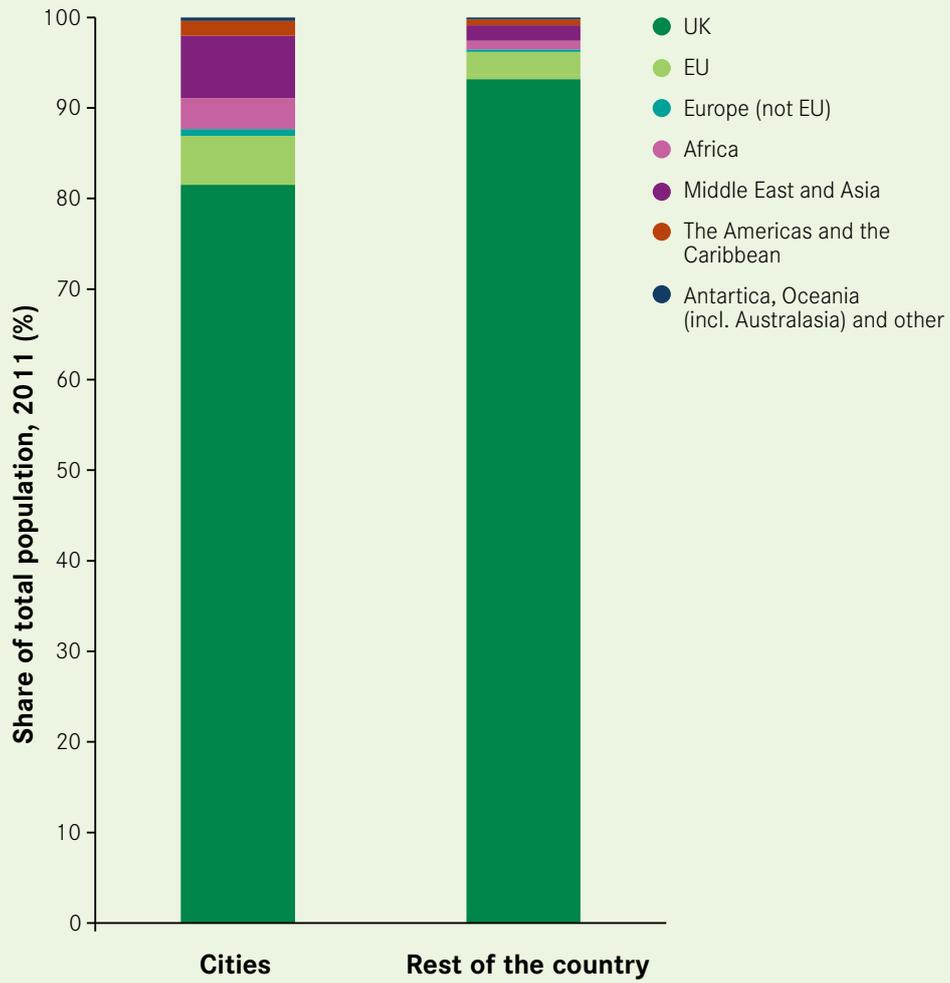


Source: Census 2011

As a result, the urban population is more diverse than the rest of the country. In 2011, one in every four citizens in cities was born outside the UK but in the rest of the country, this was one every ten, as shown in Figure 2. Any change to migration numbers will predominantly affect cities.

⁷ Cangiano, A, (2018), The impact of Migration on Population Growth. Oxford: The Migration Observatory.

Figure 2: Population, by country of birth, 2011



Source: Census 2011

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How is Brexit likely to affect migration flows to cities?

Migration to cities is likely to be affected by two main factors over the longer term: policy change and economic performance.

There is a high degree of uncertainty with regards to post-Brexit migration policy and there are several different labour migration models that could potentially be used to offset possible labour shortages. The UK is unlikely to see a dramatic fall in the number of EU workers but, while there are still several different models that could potentially be used, the government commitment to end the free movement of EU citizens to the UK means the inflow of migrants is likely to be reduced. The exact model put in place has implications for overall migration flows and the types of migrants locating in the UK.⁸ For example, if the criteria for non-European Economic Area (EEA) migrants are applied to EEA migrants, it will be harder for low-skilled workers from the continent to enter the UK. However, the Government may opt for different arrangements such as temporary permits for low-skilled workers to meet business needs in particular sectors, at least in the short-term.

International migration to the UK is also likely to be affected by changes in economic performance.

The main reason why EU migrants come to the UK, and to cities in particular, is the economic opportunities they provide.⁹ But research suggests that in both hard and soft Brexit scenarios, all cities will be negatively affected by a change in the UK's trade relationships.¹⁰ These trade effects are likely to be compounded by a fall in migration. Lower levels of migration may, in turn, lead to lower output and employment growth, and consequently even lower migration.¹¹

⁸ Home Affairs Select Committee (2018), Policy options for future migration from the European Economic Area: Interim report, House of Commons.

⁹ The Migration Observatory (2015), Election 2015 Report – Why do International Migrants come to the UK?. Oxford: The Migration Observatory.

¹⁰ Clayton, N (2017), Brexit, trade and the economic impacts on UK cities. London: Centre for Cities.

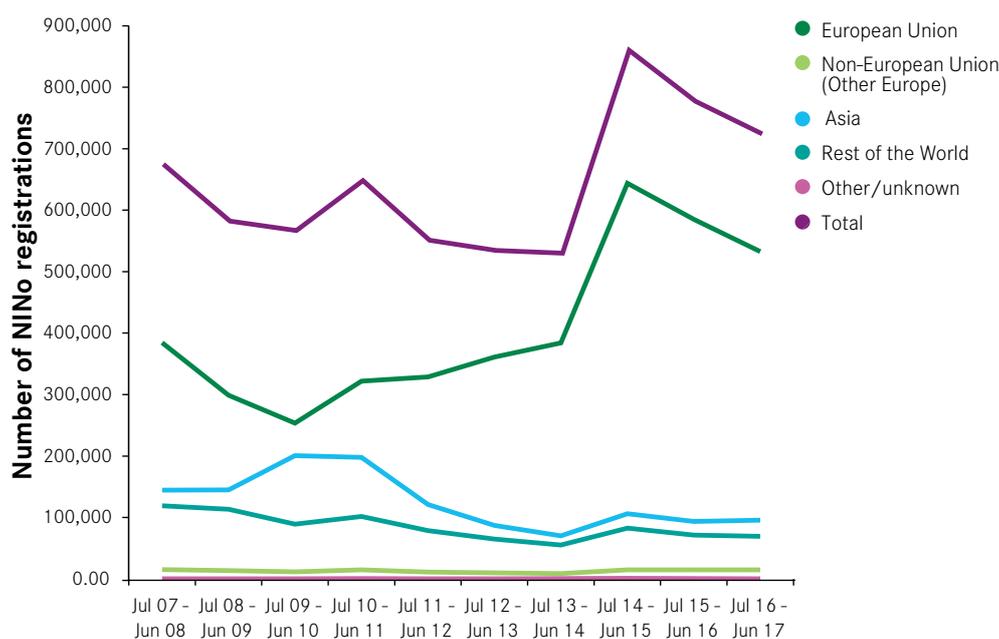
¹¹ Migration Advisory Committee (2018), EEA-workers in the UK labour market: Interim Update. Oxford: The Migration Observatory.

But there has already been a fall in migration since the referendum predominantly driven by migrants from the EU.

Migration data shows that since the EU referendum, the number of people coming to the UK has fallen whereas the number of people leaving has increased. This has resulted in a fall in net migration of 106,000 in 2017 compared to 2016.¹² EU citizens accounted for over three-quarters of this fall.¹³ The latest figures indicate that non-EU net migration is now bigger than EU net migration.¹⁴ Changes in other EU economies, the falling value of Sterling and anticipated policy changes seem to have affected people's decisions to move to the UK – prior to any change to migration policy.

The most recent data on National Insurance Number (NINo) registrations in England and Wales – often used as an indicator for the number of migrants moving into a geographical area¹⁵ – confirms this trend. Since the referendum, there has been a fall in the number of EU people registering as shown in Figure 3. The number of registrations for non-UK citizens fell by 6.9 per cent between 2016 and 2017, while EU citizen registrations fell by 9 per cent. Yet this follows a large increase in the two years from 2013.

Figure 3: NINo registrations, by country group, 2007-2017



Source: DWP 2017

¹² ONS (2017), Migration Statistics Quarterly Report: November 2017.

¹³ ONS (2017), Migration Statistics Quarterly Report: November 2017.

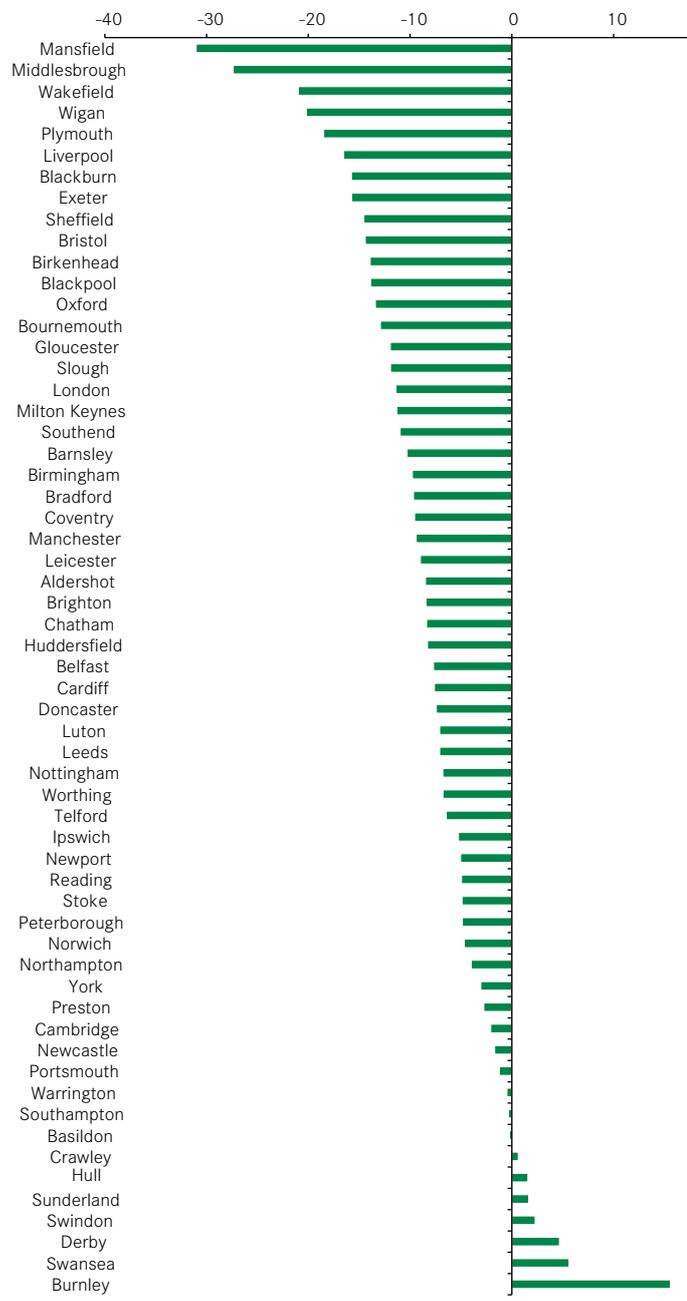
¹⁴ ONS (2018), Migration Statistics Quarterly Report: February 2018.

¹⁵ "NINo registrations are not a direct measure of migration flows, since not everyone who comes to the country applies for a NINo and some people apply after they have lived here for some time. Nonetheless, they provide a useful proxy for migrants' entry into the labour market." The Migration Observatory (2017), What to look for in the quarterly migration statistics after the referendum. Oxford: The Migration Observatory.

The vast majority of cities have seen a fall in EU migration

Figure 4 shows that the fall in the number of registrations for EU migrants varied across places. In absolute terms, London (-28,000) experienced the largest fall since the referendum (between 2015/16 and 2016/17), followed by Birmingham (-2,500). Looking at percentage changes, Mansfield (-31 per cent) and Middlesbrough (-27 per cent) experienced the largest decreases in registrations but this was from a low base. A small minority of cities experienced an increase in the number of NINo registrations: Burnley, Swansea, Derby, Swindon, Sunderland, Hull and Crawley.

Figure 4: Change in NINo registrations for EU migrants, by city, 2015/16 - 2016/17



Source: DWP 2017

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How are changes in migration likely to impact city economies?

In order to understand the potential impacts of changes in migration, it is important to look at the contribution international migrants make to city economies.

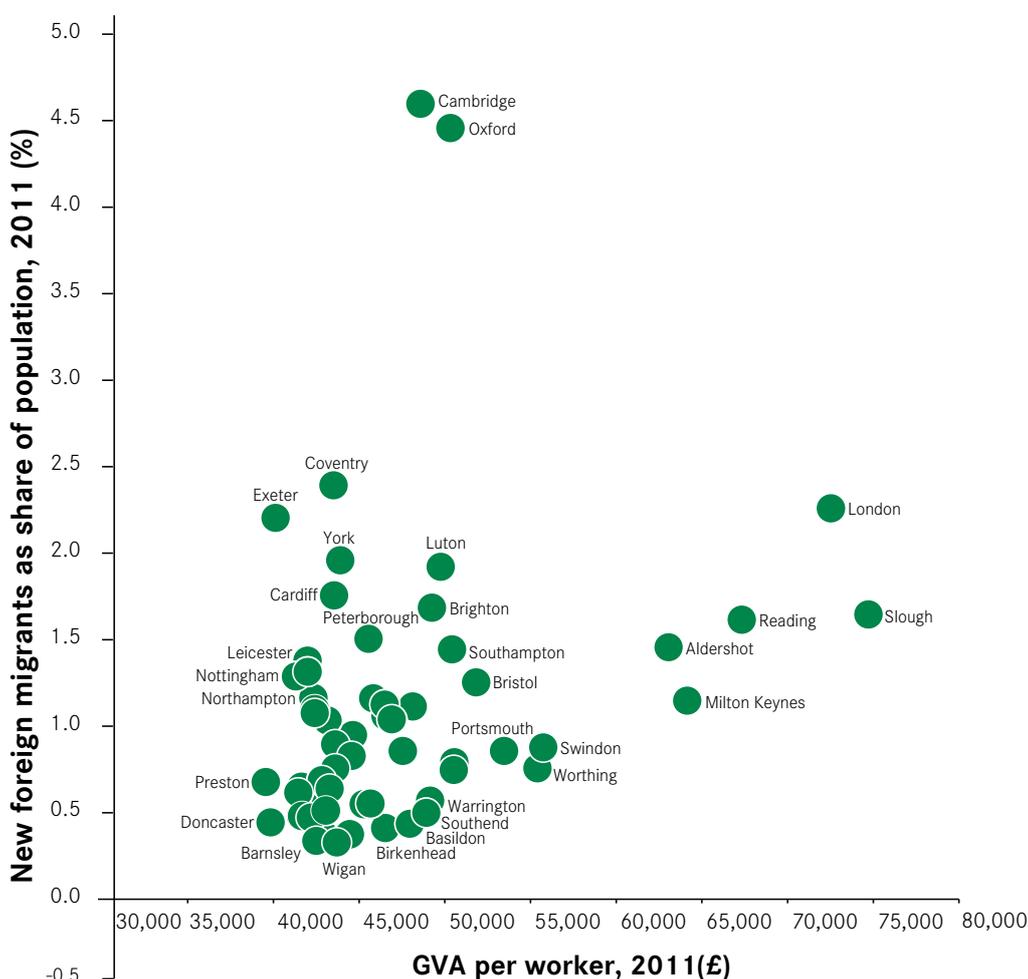
The most successful places attract the largest shares of migrants

Figure 5 shows that there is a positive relationship between the share of new foreign migrants and economic performance at city level. Some of the most economically successful places, such as Cambridge, Oxford and London had the highest shares of new migrants in 2011. This suggests that international migrants tend to move to places that provide the best opportunities, just like domestic migrants.¹⁶ The ability to attract people from other parts of the world should be seen as a positive reflection of the economic performance and attractiveness of a place to live and work.



¹⁶ Swinney, P and Williams, M (2016), *The Great British Brain Drain: where graduates move and why*. London: Centre for Cities.

Figure 5: Relationship between all foreign migrants and productivity, 2011



Source: Census 2011; ONS 2011, Business Register of Employment Survey
 Note: 'New migrants' are defined as those that have moved into an area from outside the UK in the last years

Migrants help these cities become even more successful

The evidence suggests that migrant diversity in urban areas has a positive effect on wages, employment and productivity for native workers.¹⁷ This is because migrants consume products and services in the places they live and work in, stimulating demand in the local economy and creating jobs. They may also bring skills that are complementary to those of the existing working population, leading to better ideas and knowledge creation, and therefore more innovation and higher productivity.¹⁸ Other studies also show that migrants are more likely to be self-employed than the native population and in places like London, migrant entrepreneurs tend to innovate more than others.¹⁹

¹⁷ Nathan M (2011), The long term impacts of migration in UK cities: diversity, wages, employment and prices. London: Spatial Economic Research Centre.

¹⁸ Nathan, M (2015), 'After Florida: Towards an economics of diversity'. European Urban and Regional Studies, Vol.22 (1) 3-19.

¹⁹ Lee, N (2011), 'Ethnic diversity and employment growth in English Cities'. Urban Studies, 48: 407-425.

Profiling the EU population

The main issue with predicting the impact that migration changes will have on local economies is that we do not have enough data to accurately measure the economic and fiscal contribution that migrants make in city economies. The characteristics and employment profile of international migrant populations provide some indication though. For example, places that attract highly-skilled migrants are likely to see the largest economic benefits.²⁰ By contrast, cities that attract less skilled workers may see fewer benefits. These places may also experience more competition for low-skilled jobs and pressure on public services as low-skill migrants are more likely to be on lower wages and to participate in welfare programmes.²¹

In every city, EU migrants are more likely to be in work than UK-born residents

The 2011 Census shows that the share of EU-born residents aged 16 and over in employment (70 per cent) was considerably higher than the UK average (58 per cent). Employment rates for EU-born residents generally follow a similar pattern to those for the UK-born population. EU-born residents were most likely to be in work in Crawley (82 per cent), whereas they were least likely to be employed in Middlesbrough (60 per cent). But even in Middlesbrough this was higher than the UK-born population (53 per cent). This suggests EU-born residents make a positive contribution to local economies.

EU migrants are younger compared to UK-born residents – in every city

Age data from the 2011 Census shows that EU-born residents are on average younger than UK-born residents. 44 per cent of EU-born residents in England and Wales were in the 16-to-34 age group, compared to less than a quarter (23 per cent) of the UK-born residents. Oxford had the highest share of residents from the EU in this age group (63 per cent), which is unsurprising given its large student population. In contrast, Birkenhead had the lowest (32 per cent) but again this was still higher than the UK-born population (21 per cent). The age profile of EU-born residents suggests that they are more likely to play an active role in the labour market.

EU migrants tend to be more highly qualified – but not everywhere

On average, EU-born residents in England and Wales are more likely to have a university degree or equivalent (31 per cent) than the UK-born population (26 per cent). The gap was even bigger in cities with 33 per cent of EU-born residents qualified to at least degree level compared to 26 per cent of the UK-born population. There is some variation between cities: in around a third of cities in England and Wales, EU migrants were less likely to hold a degree than the UK-born population.

Looking at the other end of the spectrum, EU-born residents are also less likely to have no formal qualifications. A lower proportion of EU-born residents have no

²⁰ Nathan, M (2014), 'The wider economic impacts of high-skilled migrants: a survey of the literature for receiving countries'. *IZA Journal of Migration*, 3 (4). pp. 1-20.

²¹ Vargas-Silva, C (2018), *The Fiscal Impact of Immigration in the UK*. Oxford: The Migration Observatory.

qualifications compared to the UK-born population in the vast majority of cities. The exceptions were Bradford, Blackburn and Peterborough where the differences between EU-born and UK-born populations were small. In general, places with a relatively high share of EU residents with no qualifications have smaller EU migrant populations.

And they tend to be in low-skilled occupations and industries

The majority of EU workers in England and Wales in 2011 were employed in low-skilled occupations.²² Given the skills profile of migrants, this suggests that there may be barriers to this group of people accessing jobs that match their skills level. But again there is variation between cities. In Doncaster and Wakefield around three-quarters of EU workers were in low-skilled occupations, whereas in Cambridge just a quarter was.

The industry breakdown of EU workers also indicates there are skill mismatches. More than a quarter of EU workers in England and Wales work in either hospitality or retail, which are predominantly low-skilled industries. The two industries account for a similar share of employment in the majority of cities. More generally, the industry EU migrants work in seems to reflect the local industrial structure. For example, in Telford almost half of EU migrants are in agriculture or manufacturing. In contrast, in Cambridge, 20 per cent of the EU workforce were employed in professional services.

Variations in the profile of migrants suggests that changes to migration will be felt differently across cities

Overall, the skills, age and employment profiles of EU migrants suggest that this group of people make a positive contribution to the national economy. But their profile and, as a result, their contribution varies across the country.

Box 2: What the profile of EU migrants tells us about the Brexit vote

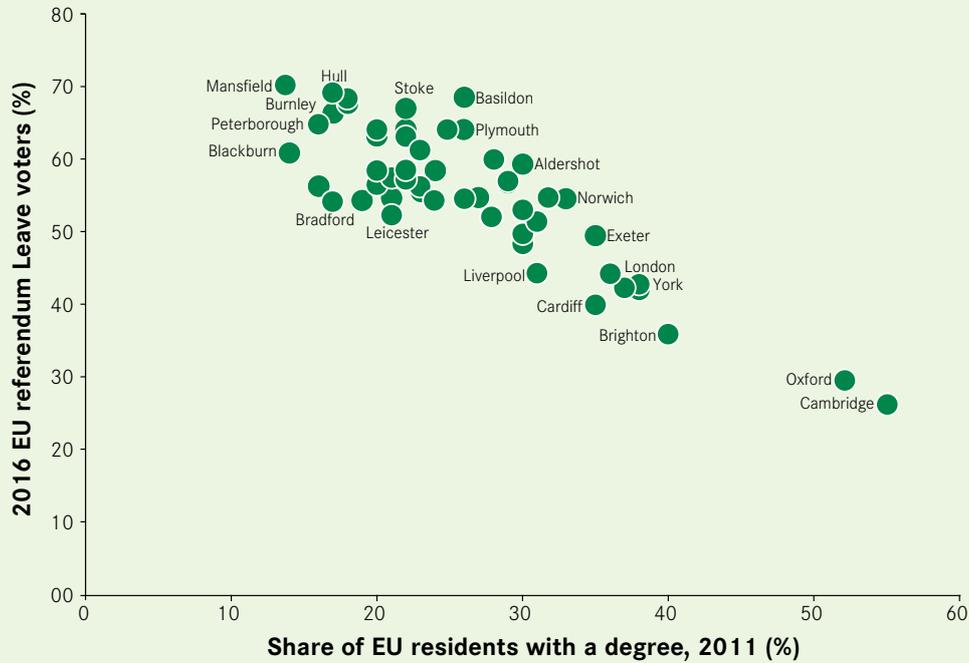
Immigration has been at the heart of the debate on Brexit. But the number of foreign people living in a place does not seem to have directly influenced how a city voted in the referendum, as shown in Figure 6. For example, Cambridge, the place with the highest share of EU residents voted to remain in the EU but Peterborough, the place with the second highest share of EU population, voted to leave.

This suggests that it is important to look beyond the size of the foreign population in a place to understand the voting patterns. Looking at the skills profile of EU migrants reveals that places that voted to remain tended to have a higher share of EU migrants with a degree. In contrast, the places that voted to leave were the ones that had a higher share of EU migrants with no qualifications. While the majority of these cities have relatively small migrant populations, they may have made a smaller

²² This is based on the Standard Occupational Classification and includes the following groups: Sales and Customer Service Occupations, Process, Plant and Machine Operatives, Elementary Occupations.

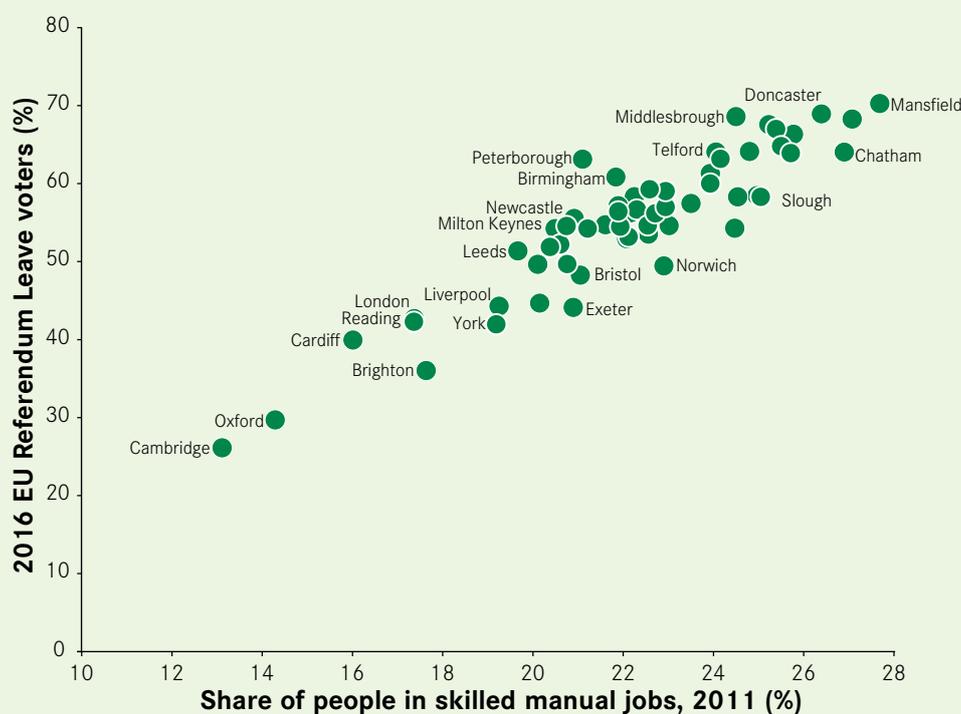
economic contribution and increased competition for low-skilled jobs. And the way people voted might have reflected these concerns.

Figure 6: Voting leave (2016) and EU population with a degree (2011) in cities



Source: Census 2011; The Electoral Commission 2017

But this is only part of the story. Looking at the characteristics of the total resident population such as skills and occupation, rather than just EU migrants, reveals that the places that tended to vote for Brexit are the ones that have a higher share of people with no or few qualifications – and variation in the profile of EU migrants tends to align with the broader economic profile of a city. They also tend to have a higher share of people in skilled-manual jobs, which are arguably the ones most under threat from ongoing globalisation and technological change (see Figure 7). And this suggests that these places have mainly struggled with structural changes in the economy and the inevitable displacement that this process has caused.

Figure 7: Skilled manual jobs (2011) and Vote Leave (2016)

Source: Census 2011; The Electoral Commission 2017

Predicting the impact: cities and sectors

Cities in the Greater South East are likely to be more affected by changes to EU migration

Over the past decade, EU migrants have become an increasingly important element of urban labour markets, accounting for 5 per cent of total jobs in cities. But there is variation across the country, with cities in the Greater South East more reliant on the EU workforce than cities elsewhere. Cambridge had the largest share of EU workers, who accounted for 12 per cent of the city's total workforce in 2011. Peterborough (11 per cent), London (9 per cent), Oxford (9 per cent) also rely heavily on EU workers.

In contrast, less than 1 per cent of workers in Middlesbrough are EU-born. Alongside variations in the profile of the EU-born population across cities discussed in the last section, differences in the size of the EU workforce means that the reduction in the number of people from the rest of the EU coming to this country will play out very differently across places.

Analysis of the economic impact of post-Brexit trade agreements finds that cities in the Greater South East will be the most negatively affected.²³ This suggests that

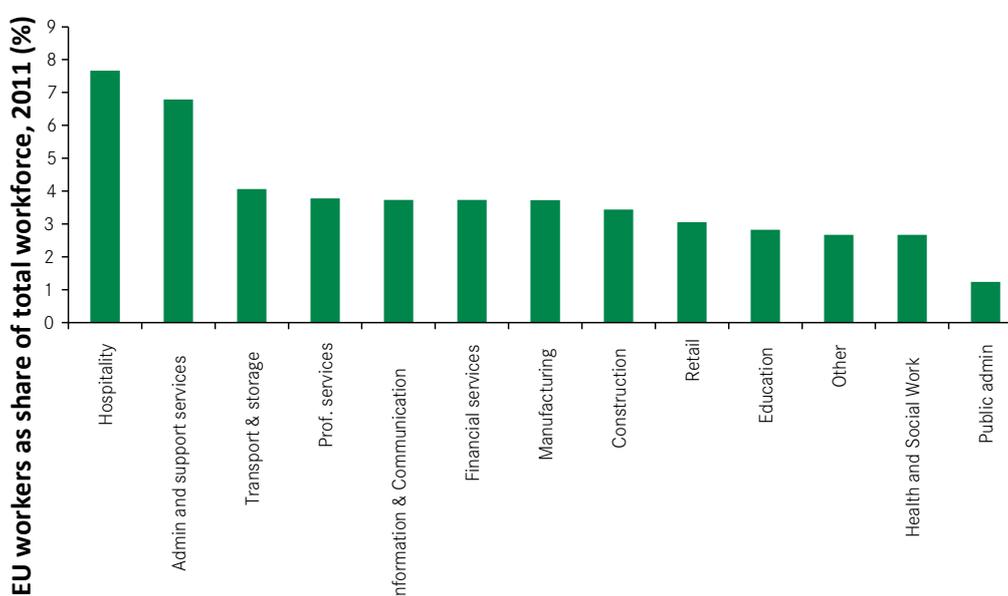
²³ Clayton, N and Overman, H (2017), Brexit, trade and the economic impacts on UK cities. London: Centre for Cities.

these cities are likely to experience a double-shock: one caused by trade reduction with other EU countries and the other caused by possible labour shortages. As these are the most economically vibrant places this double-shock is likely to have a strong impact on the national economy.

The hospitality sector will be the most likely to experience labour shortages in the majority of cities

Looking at levels of dependency on EU workers across industries reveals stark differences. Figure 8 shows that hospitality was the sector most reliant on EU workforce: around one in every 10 jobs in hospitality in England and Wales was taken by an EU worker whereas this was less than one every 80 for jobs in public administration – and the pattern is similar across urban areas. This suggests that employers in the hospitality industry face the biggest shortfalls.

Figure 8: Which sectors are most reliant on EU workforce, 2011



Source: Census 2011

But the types of industry reliant on EU workers vary between cities

Variation in the share of EU workers by industry in different cities means that the labour shortages likely to arise from a fall in EU net migration will play out very differently across sectors and places. In Cardiff, one in three people employed in the hospitality sector was from the EU and in London and Cambridge it was one in every five. But in Peterborough, ‘admin and support services’ was the most reliant on EU workers with one in four workers being EU-born. And in Northampton, the sector most reliant on EU workers was transport and storage, with EU-born migrants accounting for 17 per cent of the sector’s workforce in the city.

And cities in the Greater South East could experience labour shortages in more than one sector

Some cities, particularly those in the Greater South East, have a relatively high degree of dependence on EU workers in more than one sector. For example, in Cambridge there are four sectors in which EU workforce accounts for more than 15 per cent of the total: hospitality (22 per cent), finance (19 per cent), admin and support activities (17 per cent) and professional services (16 per cent). Similarly in London, three sectors – hospitality (20 per cent), admin and support activities (16 per cent) and construction (16 per cent) – rely heavily on the EU workforce. By contrast, in Middlesbrough, hospitality was the industry most reliant on EU workers but they accounted for only 1.7 per cent of the workforce in this sector.

Box 3: Brexit and the impact on international students in cities

Brexit is also likely to affect the number of EU students attending universities in England and Wales. In 2015, EU students account for 6 per cent of the university student population in the UK. But in some cities, the proportion of EU students is higher, including Cambridge (10 per cent), London (9 per cent) and Oxford (8 per cent).

Outside the EU, the government will not be required to provide student loans or maintenance funding for EU students. If tuition fees for EU students rise, it could significantly impact the number of EU students studying in the UK and universities' income from tuition fees. A reduction in the number of students will also have a negative impact on local spending.

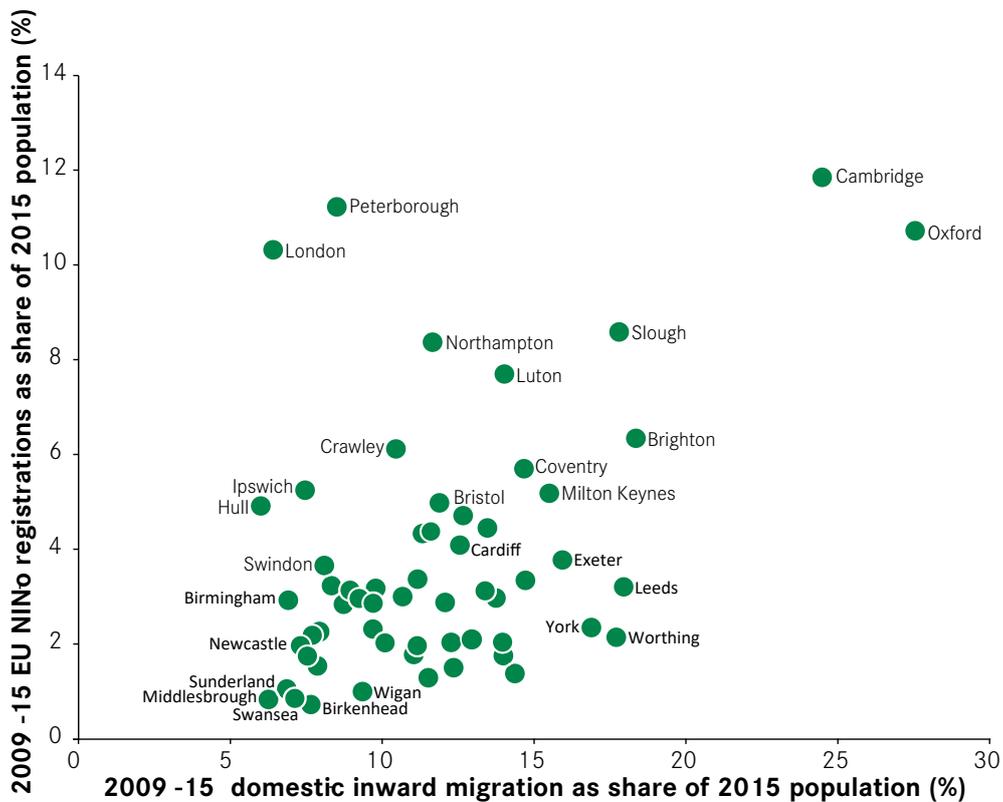
Changes to tuition fees for EU students are predicted to lead to a 57 per cent (31,000) fall in EU students and a £40 million fall in income from tuition fees with 100 institutions worse off. The fall is predicted to be partly compensated by 14,500 more non-EU students a year choosing to study in the UK if the falling pound makes UK courses cheaper.²⁴

Domestic migration may help to fill the gap in areas that experience a reduction in international migration

Domestic migration may help to fill the jobs in cities likely to experience labour shortages. Figure 9 shows that cities with a higher share of EU migrants also tend to have a higher share of domestic migrants. These cities draw in migrants from across the UK and other countries because of the job opportunities they provide. This suggests that EU workers could be replaced by more workers from other parts of the country.

²⁴ Conlon, G et al. (2017), The determinants of international demand for UK higher education. Oxford: Higher Education Policy Institute.

Figure 9: Relationship between domestic and EU migration, 2009-2015



Source: DWP 2016; ONS, 2016

But there is a caveat to this. As the analysis in the previous section shows, the industries that are most likely to experience the greatest staff shortages are predominantly low-skilled. While highly skilled people tend to be mobile, that is not the case for the vast majority of domestic low-skilled workers. In addition, the places that are most likely to be affected by these shortages caused by a fall in EU migration are in the Greater South East, where living costs are higher. This means that in order to support domestic migration, particularly among the low-skilled, to help respond to potential labour shortages more needs to be done to increase the attractiveness of these places to this group of people, such as reducing housing costs and increasing wages.

05.

Will there be any benefits from a fall in migration numbers?

Will there be more jobs for UK workers?

The growing importance of EU workers in the labour market has led many to argue that this has had a damping effect on wages and crowded out British workers, particularly when it comes to low-skilled jobs. This suggests that a fall in the number of people coming from the rest of the EU will bring benefits to UK workers in terms of more jobs and better wages.

But the evidence on this damping effect suggests migration has not had a negative impact on employment and that any negative impacts on low-skilled workers have been small.²⁵ In 2016, net migration was 248,000²⁶ but the number of jobs has increased by 486,000 between 2015 and 2016, suggesting that workers are not competing over a fixed number of jobs. As discussed earlier, migrants also increase demand for jobs through the consumption of goods and services in the local economy, and the impact they have on innovation and productivity.

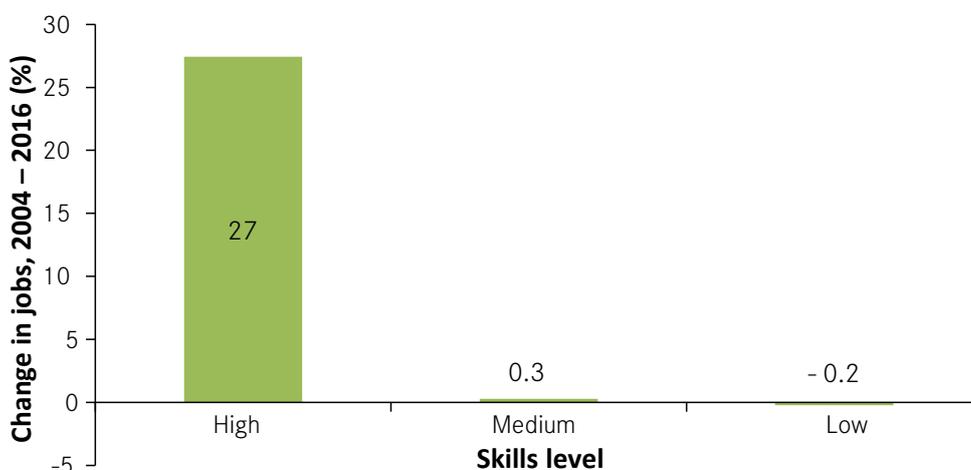
The nature of job growth in the economy is having a more important impact on low-skilled workers access to employment than migration

The rate of jobs growth varied across occupation types as shown in Figure 10. While the number of high-skilled jobs in England and Wales grew by 27 per cent between the 2004 EU accession²⁷ and 2016, the number of low and medium-skilled jobs has remained almost the same. This suggests that the real pressures on access to low-skilled jobs are coming from structural changes, such as technology and globalisation, and the transition towards a knowledge-based economy, rather than the influx of workers coming from abroad.

²⁵ Portes, J (2018), The economic impacts of migration to the UK. VOX CEPR Policy Portal available at <https://voxeu.org/article/economic-impacts-immigration-uk>.

²⁶ Vargas-Silva, C (2017), Long-Term International Migration flows to and from the UK. Oxford: The Migration Observatory

²⁷ The 2004 accession included the following countries: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Figure 10: Jobs growth in England and Wales (2004-2016), by occupation

Source: ONS 2017.

In addition, growth across different types of occupation has been uneven and does not have a strong relationship with the number of people coming from the EU at a city level. For example, Peterborough, the city with the second highest share of EU residents (10 per cent) has experienced the highest growth in low-skilled jobs from 2004 to 2016. In contrast, in places with a lower share of EU residents such as Hull (4 per cent) and Middlesbrough (1 per cent), the number of low-skilled jobs fell by around 20 per cent over the same period.

Will it ease the pressures on public services and housing?

The other argument often raised in favour of reducing migration is that it puts pressure on public services. This argument suggests that a fall in migration numbers will ease the pressures on hospitals, schools and housing. The lack of data on users of public services by nationality makes it hard to accurately identify these impacts, particularly at the local level. But studies show that EU migrants pay more than they receive in welfare payments, suggesting that funding for public services delivery will suffer if there is a reduction in international migration.²⁸

EU residents are less likely to rely on the health care system – in every city

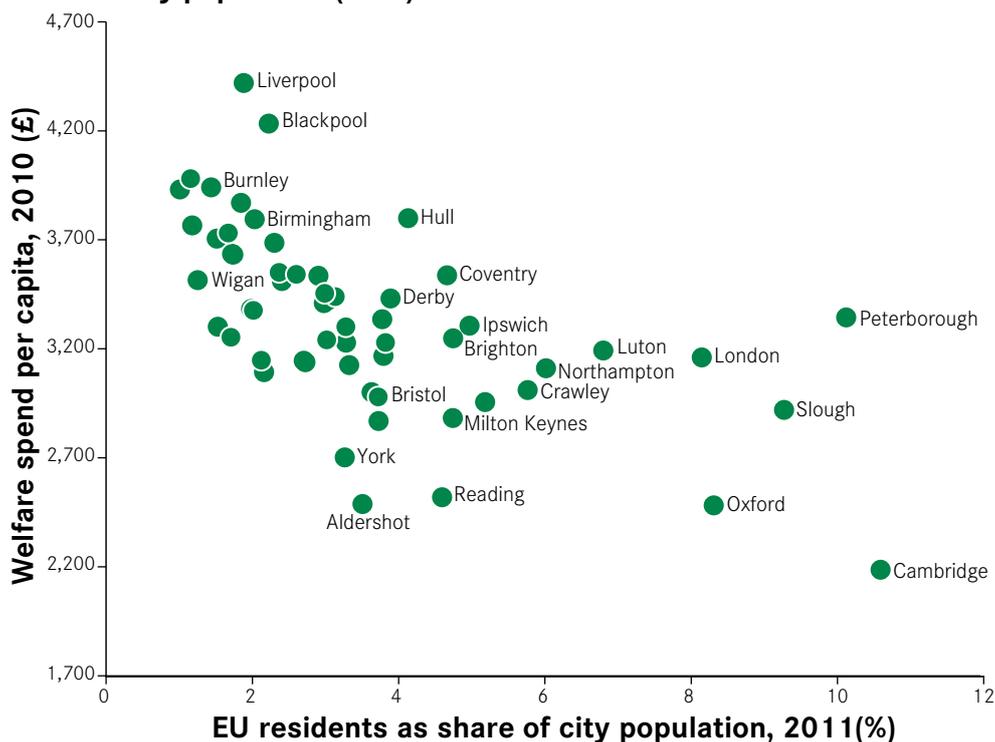
Looking at the health profile of residents in cities in England and Wales, EU residents are less likely to suffer from long-term illness, which together with their age profile suggests that they are less likely to rely on the NHS compared to the native population. For example, in Liverpool, 8 per cent of the UK-born population had a long-term illness, whereas this was only 2 per cent of the EU-born population.

²⁸ George, A et al. (2011), Impact of migration on the consumption of education and children's services and the consumption of health services, social care and social services, London: National Institute of Economic and Social Research.

But given their younger age, this group of people is more likely to start a family and this might be putting pressure on the number of school places.

And as shown in Figure 11, there does not seem to be a clear relationship between the share of foreign-born residents and welfare spend per capita in a city. If anything, places with a higher share of foreign-born population tend to spend less on welfare.

Figure 11: Relationship between welfare spend per capita (2010) and EU share of city population (2011)



Source: Census 2011; DWP 2010

And migrants play a crucial role in the delivery of public services

Migrants play a crucial role in the delivery of public services, working as teachers, doctors or nurses. In 2011, EU workers accounted for 4 per cent of all jobs in education and for 3 per cent of those in health in England and Wales. In Cambridge, Cardiff and Oxford, the figures for education are considerably higher (around 10 per cent), reflecting the role that the universities play in these economies and their reliance on international talent. More recent data shows that roughly one in 10 NHS workers in London is from the EU (compared to 5 per cent nationally).²⁹ This means that public services in some cities will be more negatively affected by migration changes.

²⁹ Baker, C (2018), Report paper: NHS staff from overseas: statistics. London: House of Commons Library.

Pressures on housing in some cities are more likely to be linked to the undersupply of homes

This is not to say that inflows of people do not put any pressures on communities. For example, Figure 12 shows that some of the most successful places like London, Cambridge and Oxford have a higher share of EU residents and they also tend to have higher house prices on average. However, this may be due to the fact that these places are located in the Greater South East where the general lack of supply is likely to play a bigger role.

Figure 12: Relationship between house prices and EU share of total population, 2011



Source: Census 2011; Land Registry 2011

06.

Policy recommendations

Over the past decade, EU migrants have become an important part of the economy and even more so in urban areas. Cities attract the majority of migrants and they have become increasingly reliant on them as workers, meaning that they are likely to be hit the hardest by the end of free movement for EU workers. And as the majority of the places that rely on EU workers are also among the most successful ones, this has clear implications for the national economy.

Getting to a new system

Deal or no deal, Government should commit to a minimum two-year transition or 'implementation' period

Despite the formal deadline for the UK to leave the EU now being just months away, there is great uncertainty on what the new immigration system will look like after Brexit. The Government is still to set out its proposals in its immigration white paper, which is due this Autumn.

The transition agreement, which will apply from March 2019 to December 2020, states that EU citizens arriving in the UK in the transition period will enjoy the same rights and guarantees as those who arrive – before Brexit – effectively a continuation of freedom of movement.

However, in the event of 'no deal', there would be no transition period. In this event, Government should ensure there is at least a two-year implementation phase where free movement continues to allow time to debate, construct and implement an immigration system that works for the whole economy.

Designing a new system

Government should explore all the options available in designing the new immigration system

Given the importance of migration to UK cities and access to the EU market³⁰, and the EU's stated negotiating position that the four freedoms (people, goods,

³⁰ Centre for Cities (2017) Cities Outlook 2017.

services and capital) are indivisible, government should explore the options set out by the Home Affairs Select Committee in its report on policy options for future EU migration³¹ for reform that allows either close or full participation in the single market. These include using existing provisions (such as migrant registration), ‘emergency brake’ provisions and controls on access to the UK labour market.

Government should ensure that any new immigration system is responsive to the needs of the economy

When designing the new system, the government should move away from setting targets or caps on migration. There have been growing calls for the Government to drop the target to reduce net migration to tens of thousands and for the focus instead to be on the contribution that migrants make. Current caps on visas for non-EEA migrants restrict businesses and public sector organisations’ ability to recruit the workers they need. The current cap on Tier 2 visas³² – the main route through which non-EU workers can come to this country – does not reflect the needs of the economy as many of the existing high-skilled vacancies are filled by EU workers.

The new immigration system should also recognise the importance of high-skilled and low-skilled migrants – and that restricting businesses ability to recruit low-skilled workers will be damaging to the economy. Many predominantly low-and-medium-skilled industries, such as hospitality, retail and construction, heavily rely on EU workers but the majority of these migrants will not qualify for a Tier 2 visa, for example.

Government should work with city leaders to ensure that the national system works for all parts of the UK

There have been calls for the introduction of a regional visa system, similar to the ones in Australia and Canada, to better reflect the needs of the different local labour markets, as well as different attitudes towards migration.

But it is not clear whether this would create better matches between policy and economic need in practice, in part because of the difficulties defining ‘need’ in an objective way at the subnational level.³³ It is also likely to increase costs for businesses through additional administrative burdens.

In theory, a national system could serve the needs of cities as long as it is reflective of the contribution migrants make and minimises labour shortages caused by a fall in EU immigration. As an overwhelmingly urban issue, the Government should work with city leaders to ensure that the new immigration system works for businesses and local communities.

31 Home Affairs Select Committee (2018) Policy options for future migration from the European Economic Area: Interim report, House of Commons.

32 Employers can only recruit non-EU workers if the role is degree level, earning at least £30,000 and has been advertised to for 28 day domestically.

33 Sumption, M. (2017) Location, location, location: Should different parts of the UK have different immigration policies? Oxford: The Migration Observatory

Government should release administrative data to improve understanding of the impact of migration

In spite of the growing importance of EU migrants in local economies, local data on migrants and their impact are limited. The Census provides the most comprehensive data but this is fairly outdated. This makes it hard to predict how migration changes will play out in different places.

Administrative datasets from HMRC and DWP could give a more accurate and timely picture of the role migrants play within city economies. This might also help places better understand levels of demand among the migrant population for public services and how any additional funding might be most effectively distributed.

Government should increase funding for local areas to manage the local impacts of migration

Notwithstanding the contribution that EU migrants make to the national economy, it is also true they contribute to demand for public services and local infrastructure. The Controlling Migration Fund³⁴ is designed to help mitigate these pressures. Yet with a budget of £100 million equivalent to 0.02 per cent of local authorities' total budgets, the fund has been criticised for being too small.³⁵ In addition, some of the key services, such as health, remain largely outside local authority control.

In order to address these challenges, the size of this fund should be increased. In addition, the way these resources are allocated should be reviewed. At the moment local authorities need to apply for the funding. Instead, these resources should be automatically channelled into those places that face the greatest pressures. But this will require better and more timely intelligence on migration patterns.

A responsive skills system

Government should devolve more flexibility and resources to support training at the local level

Engaging more adults in education and training may help to address skills shortages over the longer term. The government needs to deliver on their promise to devolve the Adult Education Budget to the mayoral combined authorities to help ensure the skills system is more responsive to the needs of employers. Building on this, the Department for Education should work with metro mayors and city leaders to ensure that the wider skills system is demand-led.

34 Gower, M (2017) *The New Controlling Migration Fund for England*. London: House of Commons Library. Note the total budget for the Controlling Immigration Fund includes two separate elements: 1) £100 million from 2016-17 to 2019-20, against which English local authorities are invited to propose projects to mitigate the impact of recent migration in their area, 2) £40 million worth of Home Office Immigration Enforcement staff time over the same period.

35 Trade Union Congress (2016) , *A fairer deal on migration: managing better for Britain*.



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