Immigration and UK membership of the European Single Market

European Union: MW 399

Summary

1. If the UK were to remain a member of the Single Market following Britain's exit from the European Union, net migration from the EU would be unlikely to fall below 155,000 in the medium term. A substantial wage disparity between the UK and Eastern Europe will continue, despite the recent devaluation of sterling. A reduction in the birth rate in Eastern Europe and the consequent decline in the population is likely to be counterbalanced by the attraction of a growing diaspora in Britain. Continued high rates of youth unemployment in Southern Europe will be a further factor.

Introduction

2. Much discussion is now focused on whether the UK should seek to remain a member of the Single Market once it has left the EU or leave the Single Market and negotiate access to it, like the majority of the rest of the world. This is despite the then Prime Minister David Cameron making clear to voters that a vote to leave the EU would mean leaving the Single Market.[1]

3. Political leaders within the EU have stated that remaining a member of the Single Market would mean that Britain would have to continue to accept the four fundamental freedoms, including the free movement of people.

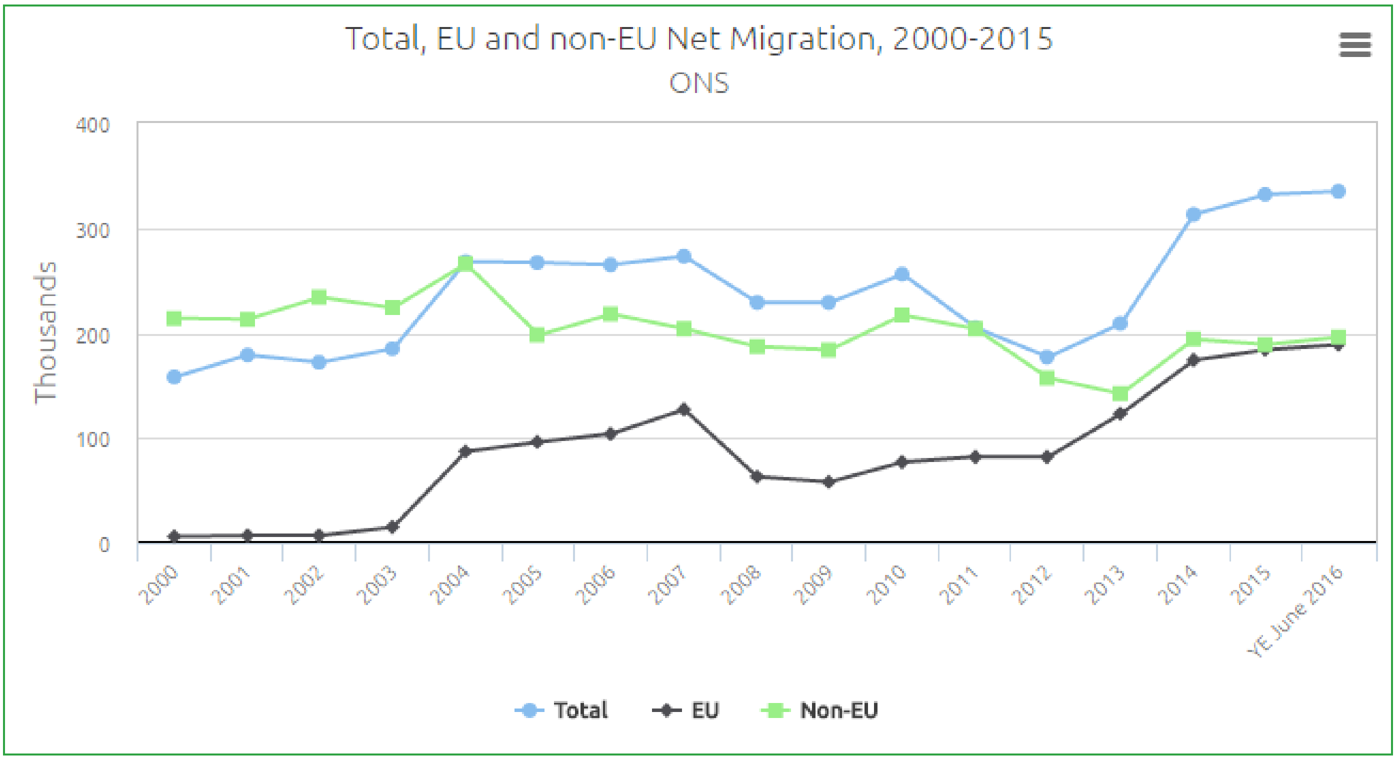
4. This short note looks at the implications for migration of remaining a member of the single market after Brexit – sometimes referred to as "soft Brexit".

1 The then Prime Minister David Cameron appeared on the BBC's Andrew Marr Show on Sunday 12th June 2016 and said that a vote to leave the EU would mean Britain would leave the Single Market.

Implications for migration of remaining a member of the Single Market

5. The latest figures show that net migration from the European Union is running at 189,000 (Year Ending June 2016) and that it has more than doubled in the last five years.[2] The graph below shows the development of EU and non-EU net migration since 2000.

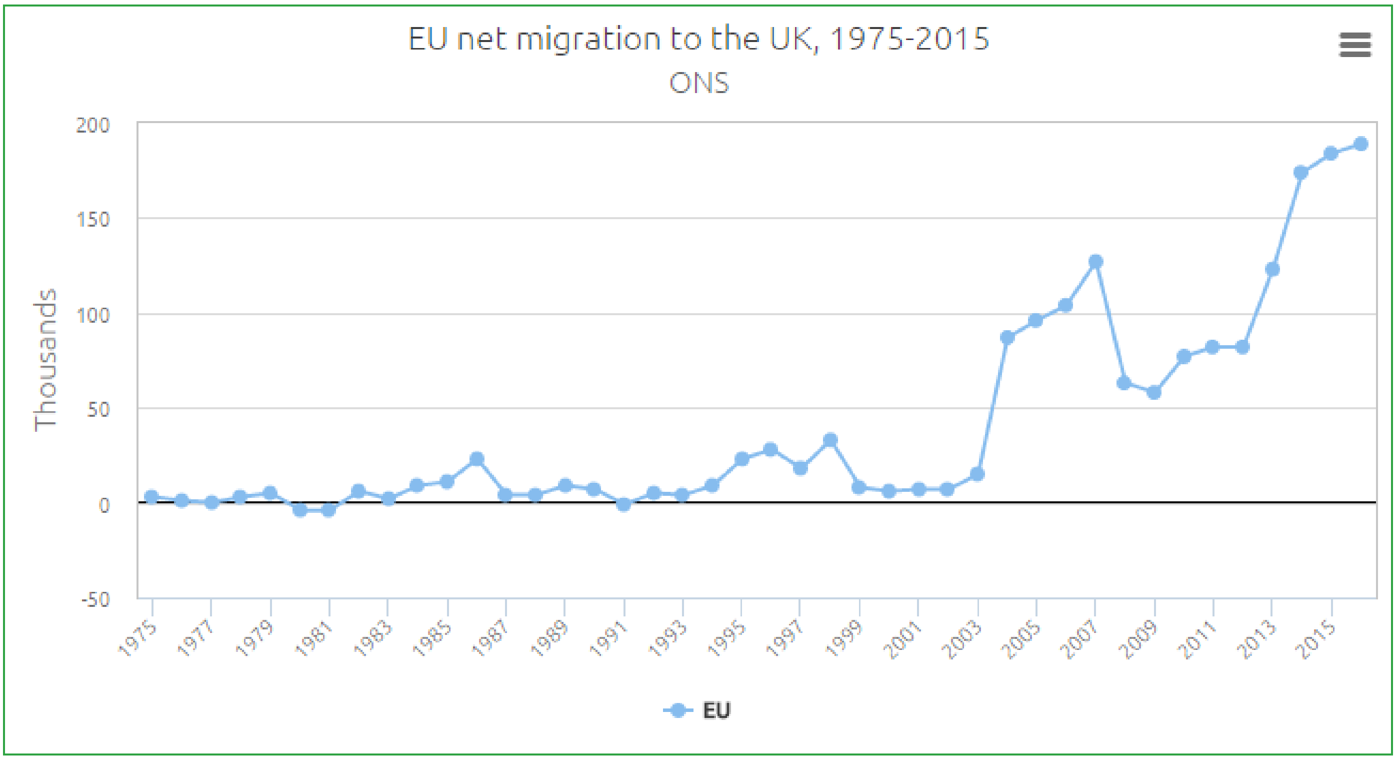
Figure 1. Total, EU and non-EU Net Migration, 2000-2015. ONS



6. Looking further back, EU net migration levels were very low, indeed simply not an issue, until East European accession in 2004.

2 In the year ending June 2011 net migration from the EU was 79,000.

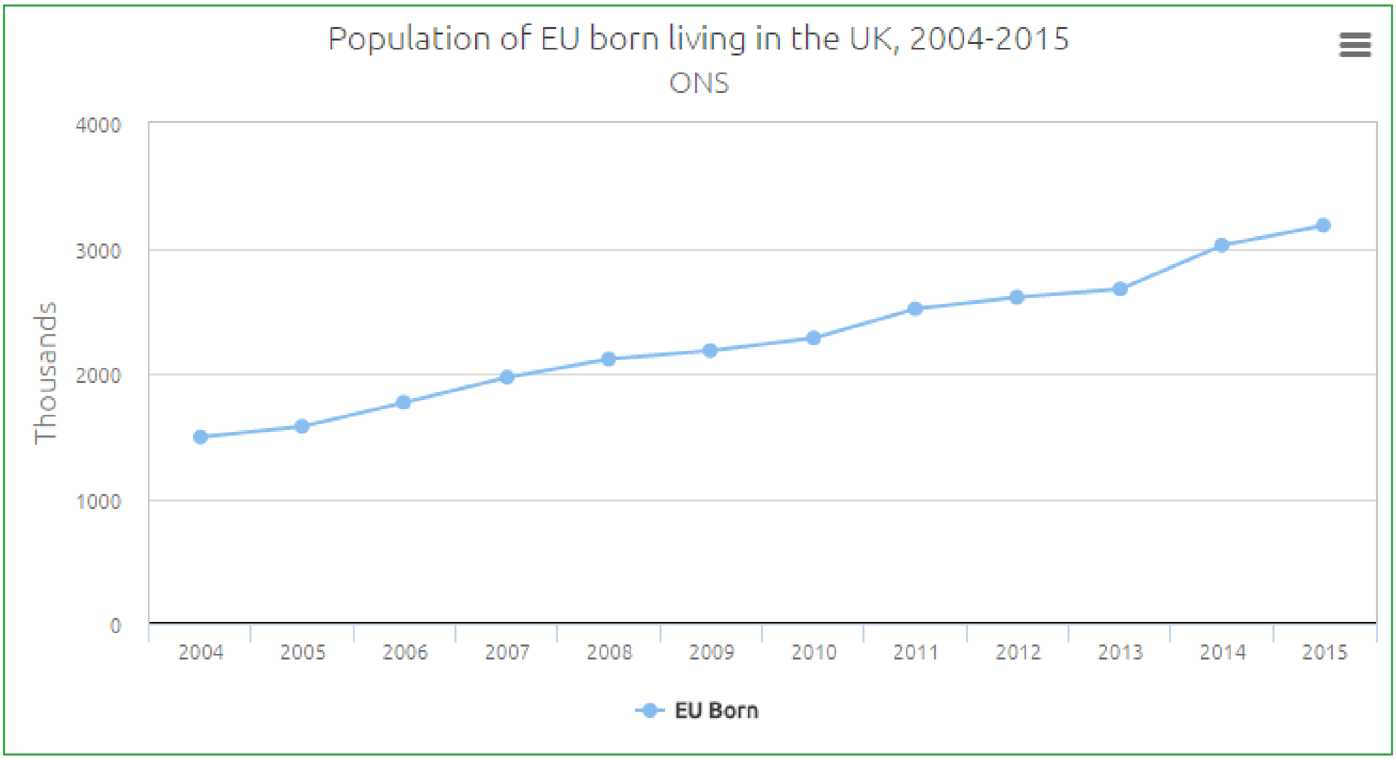
Figure 2. EU net migration to the UK, 1975-2015. ONS.



7. As regards the stock of migrants, in 2004, the total number of those born in the EU and living in the UK was 1.492 million. Most of these - 1.22 million - came from the EU14. The number from the newly acceded EU8 countries was just 167,000 in that year.

8. By 2015, the latest year for which figures are available, the total number of EU born living in the UK had more than doubled to 3.2 million. This was made up of 1.5 million EU14 nationals (a rise of 300,000 since 2004), 1.3 million from the EU8 (a rise of 1.13 million) and 288,000 Romanians and Bulgarians.

Figure 3. Population of EU born living in the UK, 2004-2015. ONS.



The outlook for EU migration

9. The scope for a significant reduction in EU migration is extremely limited if the UK remains a member of the Single Market and thus remains subject to free movement of people. Looking ahead, many of the push and pull factors that have led to high levels of EU migration in the past are likely to continue:

Wage disparity

10. The latest data compiled by Eurostat shows that in 2016 the UK minimum wage was €1,343 a month (equivalent to £1,120 on 15th December 2016). The monthly minimum wage in Poland is €417 (a third of the UK's), €276 in Romania (a fifth of the UK) and €214 in Bulgaria (15% of the UK minimum wage). This is despite recent minimum wage increases in Poland and Romania. Of course the cost of living in Eastern Europe is much lower so small savings of UK wages go a long way when sent home to family members. The UK minimum wage is also set to increase substantially by 2020 adding to the incentive. In the longer term the OECD forecasts that there will be no convergence of UK and East European wages before 2035.[3]

11. The devaluation of sterling after the referendum result might have some effect on numbers but is unlikely to be significant over the medium term. The only data so far available relating to the period following the referendum is National Insurance Number (NINo) Registrations which shows that the number of NINos issued to EU nationals between June and September 2016 was broadly in line with those issued in the same period of 2015.[4]

Unemployment

12. From 2011 onwards, net migration from the old EU14 countries began to increase considerably, largely due to high unemployment (and even higher youth unemployment) associated with the Eurozone crisis affecting Southern Europe. While these countries are expected to experience moderate economic growth, unemployment levels are not anticipated to fall to pre-recession levels for some time. Youth unemployment in Spain is projected to remain above 40% even in 2020.[5]

Alternative Destinations

13. Romanian and Bulgarian nationals used to favour Italy and Spain but these destinations have lost their economic attraction. The largest community of Poles living outside their country is in Germany. However, this destination might become less attractive as Poles will face much more labour market competition due to the arrival of hundreds of thousands of asylum seekers and refugees from the Middle East, Africa and Asia in 2015.

Secondary movement of refugees and migrants

14. Since the beginning of 2015 2.4 million applications for asylum were lodged in EU member states.

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3 OECD, Economic Outlook No 95, May 2014, URL: https://stats.oecd.org/Index.aspx?DataSetCode=EO95_LTB

4 In the three months between June and September 2016 150,500 NINos were issued to EU nationals, compared to 152,200 in the same period of 2015. DWP.

5 Trading Economic, Spain Youth Unemployment Rate, URL: http://www.tradingeconomics.com/spain/youth-unemployment-rate/forecast

In the same period 770,000 were granted asylum and 580,000 had their applications refused.[6] Those granted asylum are entitled to citizenship after qualifying periods of between two years (Belgium) and twelve years (Switzerland). The majority of migrants have gone to Germany where those granted refugee status qualify for citizenship after 6 years. Once granted citizenship in any EU member state they will acquire the same freedom of movement rights as other EU citizens and would be free to travel on to the UK.

Demographics in Eastern Europe

15. A mitigating factor is the demographic outlook for East European countries which are projected to experience a decline in population over the next twenty years. Most relevant for immigration, is an expected significant decline in the population of those aged 18-34 who are most likely to migrate. This reduction in the number of potential migrants might reduce East European immigration but it could be partially offset by the significant diaspora now in the UK which tends to facilitate further migration.

Brexit Uncertainty

16. Jonathan Portes of the National Institute for Economic and Social Research has argued that there is likely to be a fall in EU immigration over the next two years because the falling pound makes moving to the UK for work less attractive than previously.[7] However the Home Affairs Committee noted in their Sixth Report on the Work of the Immigration Directorates that previous attempts to tighten immigration had led to a spike in arrivals prior to the rules taking effect.[8] This would imply that EU migration might increase prior to Britain leaving the EU and before movement is restricted. In all likelihood, both of these factors will be at play in the short term and might well cancel one another out. We do not anticipate any significant change to current net migration levels from the EU in the next two years.

An Estimate of Future Flow

17. In June 2016 Migration Watch UK sought to estimate the future level of EU migration to the UK. Under our low scenario net migration from the EU would fall slowly to 155,000 a year by 2024 where it would broadly remain to 2035. Under our high scenario it would increase to 220,000 a year by 2021 and would remain broadly at that level to 2035.[9]

Conclusion

18. It is not possible to be both a member of the European Single Market and in control of EU immigration. If the UK remains a member of the Single Market, EU migration will remain high and is unlikely to fall below 155,000 a year in the medium term.

29th December 2016

6 EU level asylum data can be found on the Eurostat website. All data correct as of 20th December 2016. URL: http://ec.europa.eu/eurostat/web/asylum-and-managed-migration/data/database

7 Jonathan Portes, Immigration after Brexit, National Institute Economic Review, 238: 1, November 2016, URL: http://ner.sagepub.com/content/238/1/R13.full.pdf+html

8 http://www.publications.parliament.uk/pa/cm201617/cmselect/cmhaff/151/151.pdf

9 Migration Watch UK, Outlook for EU Migration, June 2016, URL: https://www.migrationwatchuk.org/briefing-paper/384