



On the move? Labour migration in times of recession

What can we learn from the past?

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policy network paper

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Abstract

This paper aims to provide a context for informed discussion on migration and recession in the UK. It does so by analysing evidence on migration flows during previous economic downturns in the UK and more widely in Europe and considers implications for the present. It finds that, foreign immigration tends to fall when unemployment rises but only for a limited period, after which it picks up again often before an improvement in the country's employment situation. Meanwhile, outflows of migrants also tend to fall after an initial rise when those who always intended to return do so. Past recessions have seen increasing numbers of British citizens returning to the UK from abroad, with fewer leaving. As a result, total net immigration is likely to remain more stable than most people think over the course of the current economic downturn. These trends cast doubt on the validity of "buffer theory," which posits that migrants return home when the economy of a country contracts, thereby freeing up jobs for the non-immigrant population.

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1. Introduction

Economic downturn and rising unemployment have led to a stronger focus on migration, or more specifically immigration, in public debate. A range of policy issues are involved, not only those directly related to migration control, but also matters to do with economic growth, employment conditions, labour market access, the wider social infrastructure and community cohesion.

The purpose of this paper is not to explore these issues but to provide a context in which informed discussion can take place on migration and recession in the UK. It takes a preliminary look at the evidence on migration flows during previous economic downturns in this country and more widely in Europe and considers implications for the present. It concentrates primarily on labour migration.

“Labour migration” sounds like a simple concept. In reality it is complicated, with workers coming to the UK or going abroad for varying periods of time, perhaps recurrently and in differing circumstances, including intra-company transfers. Some of those who enter the country as asylum seekers, students or the spouses and children of others ultimately take up employment. Some who come as visitors stay on and work illegally. In this paper, we quote statistics on those entering under schemes which give access to work but the wider picture must be borne in mind.

The paper starts with a brief outline of recent UK policy approaches to managing labour migration. In this regard, it considers the relevance of “buffer theory,” which is based on the idea that migrant workers will return home when the economy of the host country contracts, thereby freeing up jobs for the non-migrant population. According to buffer theory, in times of economic recession we should expect a marked increase in outward migration of foreign workers and a decline in inflow, resulting in falling net foreign immigration. The bulk of the paper assesses the validity of this theory, first by examining migration patterns in Europe in the 1960s and 1970s and then by focusing on the specific experience of the UK during the recessions of the 1980s and 1990s and in the current economic downturn. This exercise suggests that buffer theory on its own provides an unsound basis for predicting net migration patterns, as employment and economic growth are not the only factors influencing inward and outward migrant flows. Finally, some conclusions are drawn about what we might learn from past experience about migration during periods of economic recession.

2. UK migration policy developments and the relevance of buffer theory

During the last couple of years, the government has fundamentally reorganised the immigration system, with the new UK Border Agency, the Migration Advisory Committee, the Migration Impacts Forum, the new Points-Based System (PBS) for assessing applications for entry from workers outside the European Economic Area (EEA) and radical changes in administrative and monitoring arrangements. It is this new system, devised in a period of strong economic growth, which is now being tested in very different economic circumstances. The government's intention is to use the PBS to raise or lower the bar to control numbers of non-EEA migrant workers according to the needs of the labour market.

Citizens of the EEA have the right to work in the UK and are not affected by the PBS. The accession to the EU of eight new countries in 2004 brought a huge inflow of migrant workers in its wake. As far as these A8 immigrants are concerned, the main government assumption at the moment seems to be that those suffering job loss and unemployment will go home, the exodus providing more scope for British workers to take or keep employment. This assumption accords with buffer theory (Bohning, 1972; 1974; Kuhn 1978).

Buffer theory was developed in western Europe in the years after World War II. The idea was to bring in temporary workers when labour shortages existed, who would then go home during economic downturns. Unemployment could thus be "exported," helping the indigenous population to remain in work. Under buffer theory the foreign worker inflow and stock must be easily manipulable and legally disposable (Kuhn op. cit.), described by Bohning (1974) as a "conjunctural shock absorber." Foreign labour was seen as more flexible than native workers but the flexibility came from turnover, so without turnover there would be less flexibility. Essentially, the benefits of labour immigration were seen to derive from its turnover. More turnover and lower settlement would lead to more economically beneficial effects (Bohning, op. cit.).

buffer theory has no place for temporary migrants to convert into permanent settlers

The issue is: does the theory work? For it to do so, not only should new immigration be halted at a time of recession but foreign workers should return home. Buffer theory has no place for temporary migrants to convert into permanent settlers. For an assessment of its likely relevance in the current situation we may use the past as a guide. Probably the best comparisons are with the situation in western Europe in the mid-1970s and, to a lesser extent, in 1966-7. Then, as now, a burgeoning labour migration confronted a sudden economic crisis. The similarities between the two periods are considerable and summarised in Table 1. On this evidence a prima facie case may be made for seeing what lessons the former period may hold for the consequences of recent flows in the UK and elsewhere in Europe.

Table 1 – Labour migration flows: similarities 1960s and 2000s

- Large scale
- Both temporary and permanent migrants
- New immigration countries involved
- Directions: within EU; south-north

- New minorities created and demographic consequences
- Occupations: agriculture, construction, services, manufacturing (DDD/PPP*)
- Smuggling, irregular employment
- Policies largely developed at national level
- Oil shock and stop (1973), Crunch (2008)

Notes:

DDD – Dirty, Dangerous, Degrading

PPP – Picking, Plucking, Packing

3. The situation in Europe in the 1960s and 1970s

This section focuses on three questions. First, what happened to immigration and emigration flows in Europe during recession in the 1960s and 1970s? Under buffer theory the former should have fallen, and the latter risen. Second, what happened to stocks of foreign workers? According to the theory they should have fallen because of net emigration by foreigners. Third, what happened to unemployment? Buffer theory says that unemployment should not rise unduly because unemployed foreigners will go home and native workers will move into those jobs that incoming foreigners would have taken.

3.1 Migration flows

During the 1950s and particularly the 1960s, the number of foreign workers employed in the northwest European economies grew rapidly. During the 1966/7 recession recruitment slowed but soon resumed. Inflows of workers peaked around 1970 when a number of countries began to take steps to slow down foreign recruitment which never the less continued at a high level. For example, in the late 1960s in Switzerland, where it was perceived that a threshold of tolerance of the native population towards immigrant numbers existed, the Swiss authorities developed an increased propensity to handle work permits on a rotation principle in order to attain optimum flexibility in the event of a recession.

With the oil crisis in 1973/4, economic growth slowed and new labour inflows reduced sharply. For example, in Germany the number of Turks recruited fell from 118,000 in 1973 to 6,000 in 1974. Total emigration from seven

what happened was that family reunion took over from labour movement

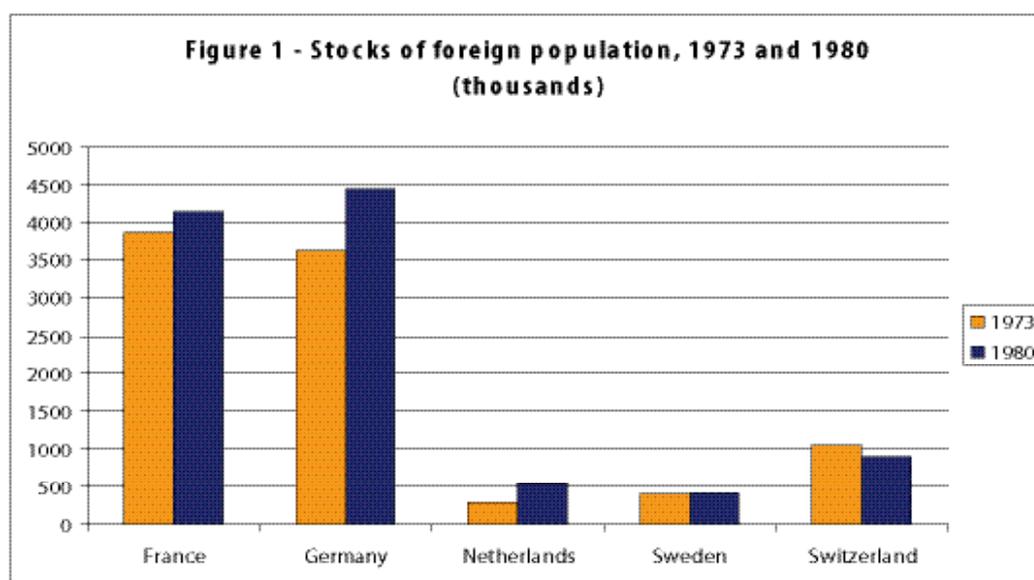
main sending countries fell from 500,000 in 1973 to 145,000 in 1975 then picked up again (White, 1986). Hence, although total immigration generally fell, numbers coming in remained relatively high, for example, from 869,000 to West Germany in 1973, to 423,000 in 1977 and from 90,000 to 61,000 in Switzerland in those same years. What happened was that family reunion took over from labour movement, as in the Netherlands where in 1977, of 19,000 immigrants from seven recruitment countries, only 2,000 were economically active (Salt, 1981). However, the picture of gross and net flows varied from country to country (White, 1986). Flows from the more developed sending countries, notably Italy, Greece and Spain, slowed down more and there were more returns than those involving Turkey, Yugoslavia, north Africa and Portugal. Individual receiving countries had variable experiences, partly in relation to flows having their roots in colonial links.

The onset of recession did bring about some return, though it is not clear how much additional movement was created. Many of those who returned were on temporary contracts and would have gone anyway. Some time-lag effect might be expected while the gross flow pattern adjusts to new economic conditions. King (1984) showed that a high level of return from western Europe began before 1973. The broad picture was that outflows generally fell after an initial rise. In 1966/7 in West Germany about a quarter of all previously employed foreigners returned home. One view was that those who did this treated it as extended holiday and subsequently came back to Germany (Kayser, 1972). In 1973 and 1974 only 10 and 15% respectively of foreign workers went home, even if they were unemployed (Kuhn, op. cit.). In the 1970s, outflows either fell after an initial rise at the start of the downturn or did not rise: figures for Germany were 527,000 in 1973, 600,000 two years later, down to 452,000 in 1977; those for Sweden at the same dates were 32,000, 21,000 and 15,000 (Salt, 1981).

The composition of the foreign population was important. Broadly speaking, those from higher GDP origin countries, Italians, Spaniards and Greeks, were more likely to go home and stay there. In contrast, Turks, Yugoslavs, Portuguese and north Africans were more likely to stay in the destination countries. Thus, returns from Germany in 1974 were fewer than in 1967, partly because Italians were a larger proportion of the total in 1967, whereas Yugoslavs and Turks were more plentiful in 1974 (SOPEMI, 1975). Similarly, in Switzerland the number of foreign workers leaving for home fell from 48,000 to 46,000 in 1973-4 (compared with 100,000 in 1969). Austria and Sweden showed a similar trend (ibid.).

3.2 Foreign stocks

As might be expected from these flow trends, the mid-1970s downturn did not result in major downward shifts in overall migrant stocks. SOPEMI (1976) reported that “all in all, numbers of foreign workers in Europe did not fall appreciably in 1975,” while the following year’s report commented that between 1973 and 1976 total foreign population had generally either risen (for example, in the cases of France, Belgium and the Netherlands) or been fairly stable (as in Germany and Switzerland). By 1980, stocks were higher in most countries than in 1973 (Figure 1).



The failure of migration to respond as buffer theory would suggest (with the limited exceptions of Switzerland in 1967 and Luxembourg (White, 1986)) may be attributed to the changing composition of the foreign population, a consequence of what Bohning (1972, 1974) referred to as the “self-feeding process of economic migration.” The process is the transition of a predominantly young, single and temporary foreign population into a more settled one. As more married migrants arrive and are joined by spouses and children, more of them tend to become long-term settlers, an estimated 40% of the total inflow according to Bohning (1974). Even in the 1960s, evidence from France and Switzerland showed that those having families stayed longer (Marplan, 1970). Some nationalities were more likely to settle than others: most Turkish children interviewed in West Germany wanted to stay (Castles, Booth and Wallace, 1984) and Lichtenberger (1984) noted that only 31% of the respondents in her Vienna survey could be classed as potential returnees in the near future. Significantly, the 1977 SOPEMI report differed from its predecessors by placing more emphasis on integration issues than flows.

Thus, the economic downturns of 1967 and after 1973 brought about a sharp slowdown in new labour inflows, followed by a rise in family reunion. Returns of workers initially rose then fell. The stock of foreign population generally continued to rise.

3.3 Unemployment and the labour market

The relationship between changes in unemployment, in GDP and in migration flows across Europe during the guest worker phase and afterwards is complex and varies between countries (White, 1986). In Switzerland, in 1967 unemployment levels did not rise significantly, suggesting that buffer theory was working. A similar situation among foreign workers from 1974 was attributed to fewer being granted permits to enter rather than because foreign labour went home (Kuhn, op. cit). Elsewhere, although unemployment among foreign workers tended to be higher than among natives, differences were not great (SOPEMI, 1975). In West Germany in 1974, for example, the unemployment rate among foreigners was 5.4% in 1974 and 4.2% across the country as a whole. In France, unemployment among foreign workers rose by 59% between 1973 and 1974, compared with 33% among the French. The 1977 SOPEMI report commented that during the recession, foreign workers in SOPEMI countries were not much more affected than nationals and that “it is increasingly evident that the role played by foreign workers in the western industrial economies makes them essential in the jobs they do.” What this means is that when the downturn occurred, most immigrants did not lose their jobs. For those who did, the social benefits to which they were entitled were generally better than those they might have received if they had gone home. So they stayed on.

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3.4 Summary

There are several major reasons why buffer theory did not work in Europe during the 1960s and 1970s, all of them appropriate today. First, in promulgating their temporary labour immigration programmes, governments failed to appreciate the structure of employment, particularly that some occupations came to be seen as “migrant jobs” and were shunned by the indigenous population. These were not always the jobs lost during the downturn. Second, there was a failure to understand the self-feeding process of migration which led inevitably to family settlement. Third, migrants would not necessarily be better off if they returned to their own countries. Finally, the increasing trend towards social justice for migrants led to a growing concern with integration and the incorporation of migrants into the population as a whole. These lessons have stood the test of time over the last three decades and at present there is no reason to believe they will not do so in the current downturn. The implication is that although many A8 citizens will return home, many will remain in the UK.

4. Migration patterns in the UK in previous recessions

How does buffer theory fare when it comes to explaining migration trends in the UK? This section begins to answer this question by describing migration flows to and from the UK since the 1970s, focusing on three periods of economic downturn: 1974-7, 1980-4 and 1991-3. The statistics used are from the International Passenger Survey. They do not include the various adjustments now used to produce Total International Migration because a long enough historical series of these does not exist. The graphs featured in the annex (Figures 3-11) summarise overall trends, with the sections highlighted in grey indicating the three periods in question.

To identify these periods, the following data was scrutinised: unemployment (LFS and claimant counts); numbers employed; GDP (total and annual change). Although there is general agreement between the various indicators, there are some differences. For example, GDP and employment change suggest a shorter period of downturn. Ultimately we decided to use unemployment as the main indicator, defining the downturn period as one in which numbers unemployed rose from trough to peak. Our reasoning was that this indicator best identified the state of the labour market. This analysis is then supplemented, in the following section, by a simple regression analysis of the relationship between economic growth, levels of unemployment and flows of migrants over the period 1975-2007.

The analysis is set in the context of change in employment and unemployment during these periods, drawing on Doyle's study (2003) of labour market data. The definition of an "employed migrant" is someone who was working before they migrated, whether or not they found a job at their destination. It is reasonable to suppose that the majority of them were hoping to find work or moved under the auspices of an employer. The category "non-active migrants" includes children and adults who were not working before migration. Some of these would also have taken up employment at some point.

4.1 Foreign migration 1974-7

Employment fell to a cyclical low in late 1971 and unemployment peaked at 1.2 million in February-April 1972. This was followed by an upturn in the economy, with unemployment falling below a million in 1973-4 and employment reaching a peak of 25.1 million in late 1974. The boom was short-lived however. The UK economy went into recession in 1975 and employment fell back in 1976. Unemployment rose and there were 1.5 million unemployed by late 1977. Employment started to increase again at the end of the 1970s, while unemployment plateaued.

The migration statistics presented in Figure 3 show that total inflows of foreign migrants rose in 1974-5, then declined in 1975-7. There was a sharp drop in 1977, when the inflow was 20% lower than two years previously. Inflows in 1978 and 1979 leaped up again, mainly because of the increased numbers of non-active migrants.

- Inflows of employed migrants rose slightly in 1974-5, then declined in 1975-7. The inflow in 1978 was similar to 1977, then returned to its 1976 level in 1979.
- Inflows of non-active migrants rose in 1974-5, then declined in 1975-7. Inflows in 1978 and 1979 were substantially higher.

Total outflows of foreign migrants in 1974-7 fluctuated around a similar level and continued to do

so in 1978 and 1979. The trends in outflow in 1978-9 shown below could reflect the fact that some formerly-employed people who had become unemployed were leaving.

- Outflows of employed migrants fluctuated 1974-7. They were significantly lower in 1978 and 1979.
- Outflows of non-active migrants rose slightly in 1974-5, then declined gradually in 1975-7; although they rose again in 1978-9.

The aggregate picture is one in which inflows of foreign migrants seem to bear some relationship to trends in unemployment and economic change, with a decline in inflows in 1975-7 and a subsequent upturn after 1977. However, total outflows fluctuated and did not show any consistent trend of increase during the 1974-7 period, as might have been expected.

There is a substantial, uncounted element in migration during the 1970s and that is movement to and from Ireland, which is likely to have responded to changes in the labour market in terms of both inflows and outflows.

4.2 Foreign migration 1980-4

By November-January 1980, employment reached a new peak of 25.3 million. Thereafter, the economy entered a deep recession and employment fell until it bottomed out at 23.6 million in spring 1983. It then gradually increased to a peak of 27.0 million in mid-1990. Unemployment rose from 1980 onwards to more than three million in 1983 and remained there until spring 1987 before starting to decline.

The migration data have some echoes of 1974-7. They indicate that the total inflow of foreign migrants peaked in 1979 and then declined 1979-81. There was a sharp drop in 1981, when the inflow was again 20% lower than two years previously. Inflows then returned almost to the 1980 level in 1982-4 and thereafter followed an overall upward trend to 1990.

- Inflows of employed migrants peaked in 1979, declined in 1979-81, and rose gradually but continuously in 1981-4. They then followed an overall upward trend to 1990.
- Inflows of non-active migrants peaked in 1978, and declined in 1978-81. There was an upward trend in 1981-3, then a slight drop in 1984. Inflows fluctuated thereafter with the highest recorded in 1989.

Total outflows of foreign migrants peaked in 1980, dropped in 1981 and then, after a slight rise, continued to fall to 1984. After that, outflows fluctuated but there was a steeply rising trend reaching a peak in 1991.

- Outflows of employed migrants peaked in 1980 then fell steadily to 1983. Numbers levelled out in 1983-5, then increased sharply in 1986 and followed a gradual upward trend to 1991.
- Outflows of non-active migrants peaked in 1980, fluctuated in 1980-82 and then declined in 1982-4. From 1985 onwards, they fluctuated at a slightly higher level for the rest of the 1980s.

As in the late 1970s, there seems to be some relationship between in-migration and economic conditions. The aggregate picture is one where inflows of foreign migrants fell right at the start of the economic downturn but soon began to pick up again. Outflows of foreign migrants actually followed a downward trend in the 1980-4 period.

4.3 Foreign migration 1991-3

As the economic situation started to improve in the late 1980s, employment rose to a peak of 27 million in May-July 1990 at the heart of the boom. Unemployment in 1990 was at its lowest since 1980. Thereafter the employment situation deteriorated and unemployment reached nearly three million by 1993 before falling again.

Once again, the migration data have some echoes of earlier periods. They show that the total inflow of foreign migrants peaked in 1990, then declined in 1990-2. There was a sharp drop in 1992, when the inflow was 28% lower than two years previously. Numbers began to rise again in 1993. After that, there was an unbroken upward trend to 2004.

- Inflows of employed migrants peaked in 1990, with a steep downward trend in 1990-2. The inflow in 1992 was only two thirds of that in 1990. 1993 saw an upturn, followed by a continuous increase in inflows to 1996.
- Inflows of non-active migrants peaked in 1989, with a slight downward trend to 1991 and a sharper drop in 1992. 1993 saw an upturn, followed by a continuous increase in inflows to 1997.

Total outflows of foreign migrants peaked in 1991, followed by a downward trend to 1993. The decline in outflow continued to 1995, after which there was a broadly upward trend.

- Outflows of employed and non-active migrants both peaked in 1991 and followed a downward trend in 1991-5. The decline in outflow of non-active migrants continued to 1996.

These data suggest that once again the inflow of foreign migrants began to decline early on in the economic downturn and then picked up again, even while unemployment was rising or at its peak. As in the previous period, outflows declined.

4.4 British citizens: migration trends

While this paper is mainly concerned with trends in migration of foreign citizens, the movement of British citizens also affects the labour market and is an important part of the picture of total international movement.

In relation to all three periods defined above, there were two or three years in succession when the flows of employed British people into the UK from other parts of the world increased (for the 1991-3 period, the increase occurred in the years leading up to 1991). There were also some marked increases in inflows of the non-active.

In the case of British outflows, there was a sharp decrease in the numbers of employed people leaving the country in 1974-6. Outflows of the employed were rising up to 1982 but were then

relatively low for the next three years. Similarly, they were rising up to 1991 but then fell sharply. Outflows of the non-active followed a broadly similar pattern.

4.5 Summary

Too much should not be read in the figures presented above since we have not looked at all the factors, in addition to the state of the UK labour market, which might have affected migrant numbers. However, it seems to be the case that all three past recessions have seen a fall in numbers of foreign migrants entering the UK, albeit for a limited period. But there is no evidence of a significant upturn in outflows, contrary to what buffer theory would suggest. In fact, the reverse is true.

It would appear that the decline in inflow of employed foreign migrants started very early in the economic downturn in the latter two periods and slightly later in the 1974-77 period. In 1980-84 and 1991-3 inflows began to pick up again earlier, whereas in 1974-7 the decline continued until the end of the period. Inflows of non-active foreign migrants followed similar trends to the employed.

there is no evidence of a significant upturn in outflows, contrary to what buffer theory would suggest

It is hard to interpret the data on outflows of foreign migrants because we do not know how many of the non-active leaving the country were formerly employed in the UK but had become unemployed. The aggregate figures do not reveal a consistent pattern. In 1974-7, the outflow of foreign migrants fluctuated around a similar level. In 1980-4, outflows peaked in 1980 and then followed a downward trend. In 1991-3, outflows peaked in 1991 and then diminished. Again, the latter two periods are more alike than the earlier one.

In the case of British citizens, employed and non-active, an increase in numbers arriving from overseas and a decline in departures seem to have occurred for a limited period in each recession.

5. Linking migration flows and economic conditions 1975-2007

In order to assess the validity of these findings, we have undertaken a simple regression analysis of the relationship between economic growth, levels of UK unemployment, and flows of migrants. This exercise is meant only to be indicative and not an attempt to develop explanatory models. The results suggest that there is a relationship between migration flows and economic activity and, more specifically, levels of unemployment in the UK. However, the long-term strength of these relationships is surprisingly small. There are many other factors shaping the flow of migrants beyond those of economic growth and unemployment levels in the UK.

The relationship between non-British immigration and annual growth in GDP over the period 1975-2007 is positive but with an r^2 value of only 0.0285. The relationship between unemployment and levels of non-British immigration is negative and substantially stronger, with an r^2 value of -0.2474. For immigration by British nationals the pattern is slightly more complicated. The relationship between GDP and immigration is positive with an r^2 value of 0.1046. However, as unemployment goes up so too does immigration by British nationals, with an r^2 value of 0.1272. This relationship is even stronger if unemployment is regressed against inflows of previously economically inactive British migrants. In this case the r^2 value rises to 0.4697. (For immigration by employed British citizens, the relationship is negative, but the r^2 value is only -0.0082). This means that a rise in unemployment may lead to a fall in non-British immigration, but a rise in British immigration. This effect is in all probability the result of simultaneous rising unemployment in the source countries of British immigrants.

For emigration the pattern is more confusing. Over the period 1975-2007 the relationship between GDP growth and non-British emigration is slight, with an r^2 value of 0.0095. For unemployment the relationship is stronger and negative. As unemployment goes up non-British emigration goes down and the r^2 value is -0.2053. It is not immediately clear why this might be the case. For British nationals the pattern is different. There is a higher – but still small ($r^2 = 0.0934$) relationship between economic growth and emigration. In the case of British nationals, however, the relationship is negative; as the rate of economic growth increases emigration falls. The relationship between unemployment and emigration is also negative and more pronounced, with an r^2 value of -0.1723.

For overall net migration the pattern is less confusing. Over the period 1975-2007 there was a positive relationship between net migration and economic growth ($r^2 = 0.1399$). For unemployment the relationship was negative ($r^2 = -0.1148$). Thus, as economic growth rises net immigration tends to go up and as unemployment rises net immigration tends to fall.

Note: The r^2 value (often referred to as the goodness of fit) is calculated by plotting two sets of variables on a chart to determine how closely the data conforms to a linear relationship. R^2 values range from 0 to 1, with 1 representing a perfect fit between the data and the line drawn through them, and 0 representing no statistical correlation between the data and a line. The relationship between variables can be positive or negative.

6. How important are labour market conditions in explaining migration trends?

Our paper set out to examine past patterns of international migration during recessions and has considered buffer theory in relation to the evidence of what has actually happened. This section outlines some work which has identified a number of economic factors influencing migration flows. We acknowledge that there is a rich literature on the impact of immigration on the British economy (see for example Rowthorn 2004; Dustmann et al. 2005) but we do not enter into this discussion here.

Hatton (2005a; 2005b; Hatton and Wheatley Price, 2005) has published a detailed econometric study examining the dynamics of UK immigration and emigration in the period 1964-1999. He explores a paradox in UK international migration trends. Conventionally net migration is considered closely related to levels of unemployment. High levels of unemployment should lead to low levels of immigration, low levels of unemployment to higher levels of immigration. Contrary to this, the UK was a net exporter of people throughout the immediate post-war decades. Since 1981, the UK has become a country of net immigration despite having levels of unemployment significantly above those of earlier decades. How can this paradox be explained?

the UK has become a country of net immigration despite having levels of unemployment significantly above those of earlier decades

In Hatton's econometric model there are five elements that, taken together, provide an explanation. Firstly, it is true that unemployment is negatively related to immigration flows. According to Hatton's analysis, a 1% increase in unemployment within the UK reduces net immigration by about 5,000 per year on average. Hence, the significant falls in unemployment that occurred in the later 1990s did lead to a substantial acceleration in immigration. Yet, this only provides part of the answer.

A second explanatory factor is the relationship between the relative income within the UK vis-à-vis the rest of the world. As the ratio of the UK's GDP relative to that of the rest of the world rises, the level of immigration rises and the level of emigration of UK citizens falls. The impact of this on Hatton's reading is relatively modest however.

Thirdly, in addition to this relative income effect, there is a relationship between rates of immigration to the UK, emigration from the UK of UK citizens, and relative levels of income inequality within the UK compared to the rest of the world. For overall levels of immigration the net effects of changes in levels of relative income inequality are quite small. The level of relative income inequality does, however, influence the proportion of migrants that come from high income countries and the proportion that come from low income countries. Hatton argues that an increase in income inequality essentially represents an increasing return on skills. It follows, that highly skilled immigrants are most likely to benefit from a rise in income inequality within the UK relative to the rest of the world, while unskilled immigrants will see a lowering of their earning potential. An increase in income inequality within the UK relative to the rest of the world will likely increase the proportion of immigration from high income countries (as these countries tend to be relatively equal and have highly skilled workforces) and decrease that from low income countries (as these countries tend to be relatively unequal and their migrants predominantly end up working in relatively unskilled occupations in the UK). On the emigration side, the impact of changes in relative income inequality in the UK compared to the rest of the world has a significant impact on the size of flows of UK citizens from the UK. According to

Hatton's model, a 10% rise in relative inequality within the UK compared to the rest of the world would reduce emigration by 18,200 per year. Thus, the rise in income inequality that occurred in the UK in the 1980s and 1990s contributed significantly to the rise in net immigration in the period.

Fourthly, the stock of already existing migrants has a significant effect on the level of flows between two countries. Every 1000 rise in immigrant stock creates an additional 126 net immigrants a year. Since the UK had developed a sizeable immigrant population by the 1980s, this stock of immigrants continues to drive a substantial and continuing flow of immigration.

Finally, Hatton stresses that a substantial proportion of the change in immigration flows that has occurred over the 25 year period he analysed is a result of changes in immigration policy, whether indirectly as a result of European Union enlargement, or through direct changes in UK immigration law.

The overall conclusion of Hatton's analysis (2005a, pp 720) then is, first, that "trends in unemployment and relative income (between countries) have contributed only modestly to the increase in net immigration"; and second, that the migration policies of both the UK and sending countries have played a substantial part in the growth of immigration to the UK in the 1990s. It follows from this that we might expect a drop in immigration as unemployment rises, but that this will involve a moderation of existing flows, not their cessation due to factors other than unemployment rates that may remain unchanged during periods of economic downturn.

7. Current trends in UK migration: is history repeating itself?

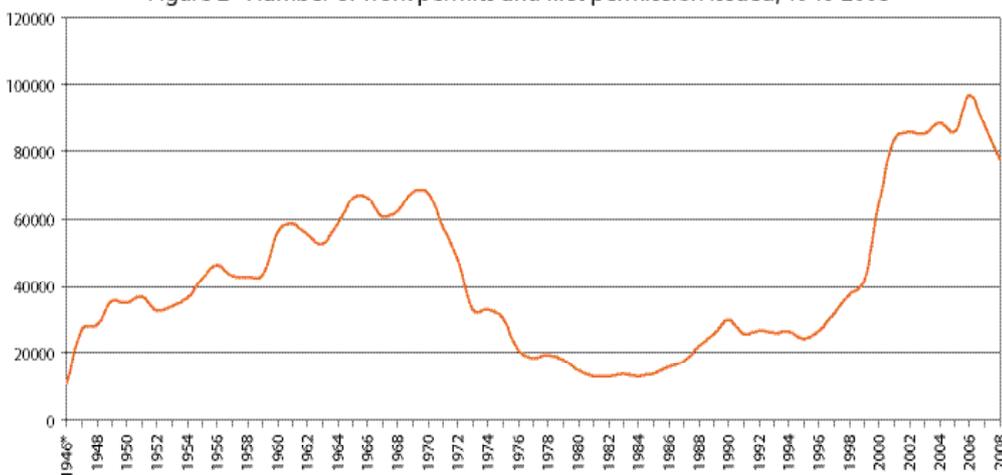
At the time of writing there is only partial statistical evidence of current flow trends. Data are available from the Worker Registration Scheme (WRS) on A8 citizens up to and including the first quarter of 2009; there is a similar situation for Bulgarians and Romanians obtaining work permits and registering for agricultural work. Work permit data for non-EEA citizens are available for calendar year 2008 but as yet there are no similar statistics for the new Points Based System. The latest data on in- and out-flows from the International Passenger Survey are for the year ending September 2008 and relate to total international migration (including adjustments to the IPS statistics).

During the first quarter of 2009, the number of applications approved under the WRS was 21,275, considerably down from the 46,645 approved in the first quarter of 2008. However, an inflow continuing to run at around 7,000 per month, though less than half of that a year ago, does not necessarily lend support to there being a net outflow brought on by labour market conditions. Information on the numbers returning to country of origin from the UK is limited, since neither the UK nor the home countries of the migrants have suitable statistics. Anecdotal information from Poland is that there is no evidence of large scale return from the UK.

Numbers of applications and approvals for entry by Bulgarian and Romanian workers have also been going down, although only marginally for those in seasonal agriculture. In the first quarter of 2009, a total of 435 applications for accession worker cards were approved, down from 645 in the same quarter of 2008; 3,810 registration certificates (a group including the self-employed) were approved, down from 5,295 the year before. In the first quarter of 2009, 6,770 Seasonal Agricultural Workers Scheme (SAWS) cards were issued; only a small drop on the 6,865 issues in the first quarter of 2008.

Trends in work permit issues to non-EU citizens over recent decades are shown in Figure 2. Total approvals in 2008 were 5.3% down on the year before (from 128,936 to 122,156). Comparison of the distribution by sector indicates that, proportionately, computer services, administration and business services, entertainment and leisure, and manufacturing were responsible for a relatively higher percentage of all issues in 2008. Those representing a smaller percentage were telecommunications, health, hospitality and catering, and construction.

Figure 2 - Number of work permits and first permission issued, 1946-2008



Source: Department of Employment (1977), Overseas Labour Service/Work Permits (UK) * 31 March - 31 December only

Comparisons of flow data from the International Passenger Survey for the years ending September 2007 and 2008 show a fall in total net migration to the UK from 182,000 to 147,000. There was little change in non-British inflow, but outflow rose from 168,000 to 218,000. Inflow of A8 citizens rose slightly from 96,000 to 100,000 while their outflow rose even more, from 26,000 to 56,000. Among British migrants, inflow rose while outflow stayed at the same level. Overall, the net population gain to the UK as a result of these movements fell by 35,000 between the two dates. Thus, during the year leading into the recession there was a small rise in total inflow, a larger rise in outflow and a fall in net migration gain.

Comparing trends from different data sources is difficult, especially when they refer to different time periods. The above statistics on worker registration and work permits include a more recent period than the IPS figures. However, the overall message from these data seems fairly consistent with the patterns observed in the early stages of other recessions: a reduced inflow of labour and some evidence of an initial rise in outflow.

8. Conclusion

Devising and implementing policies which are responsive to changing patterns of migration require timely and accurate data, which are often not available when needed. This is one good reason for studying past experience, although one cannot guarantee it will be replicated. More tellingly, past experience enables us to view the outcomes of the totality of the migration process, something that does not always emerge from standard statistical models.

The evidence we have been able to gather on past recessions in the UK and more widely in western Europe indicates that foreign immigration falls while unemployment is increasing but only for a limited period.

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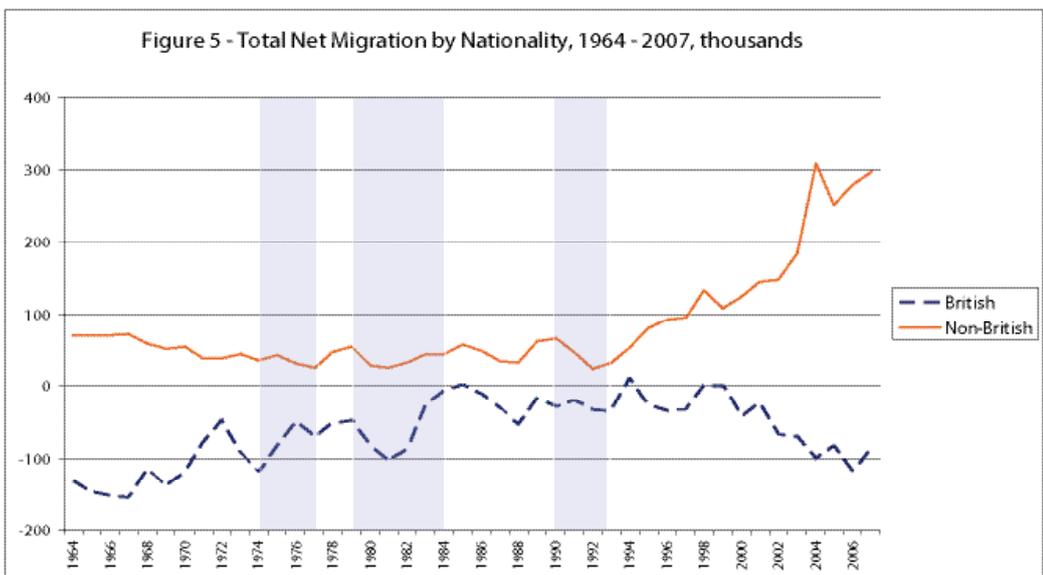
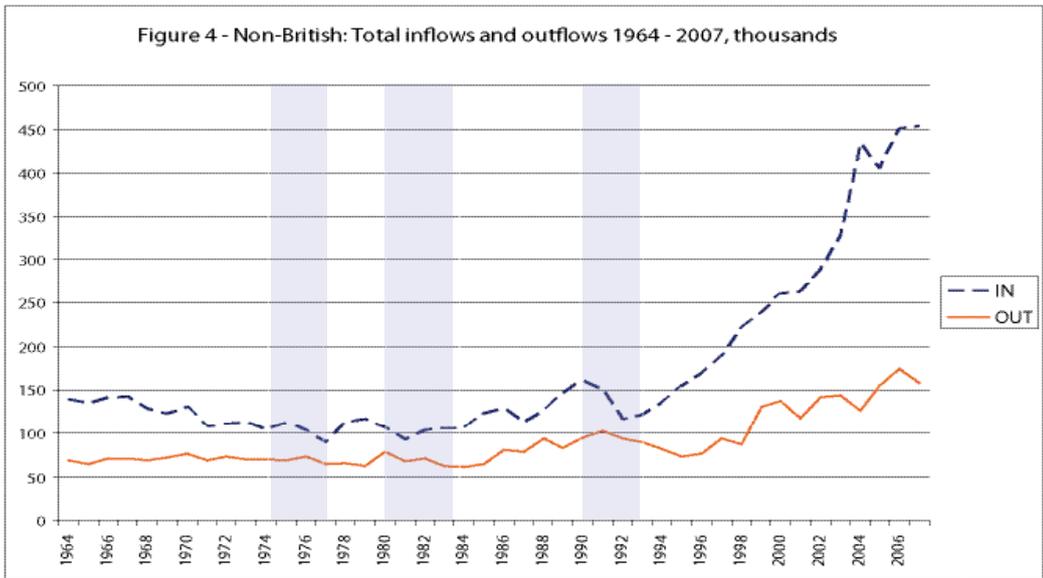
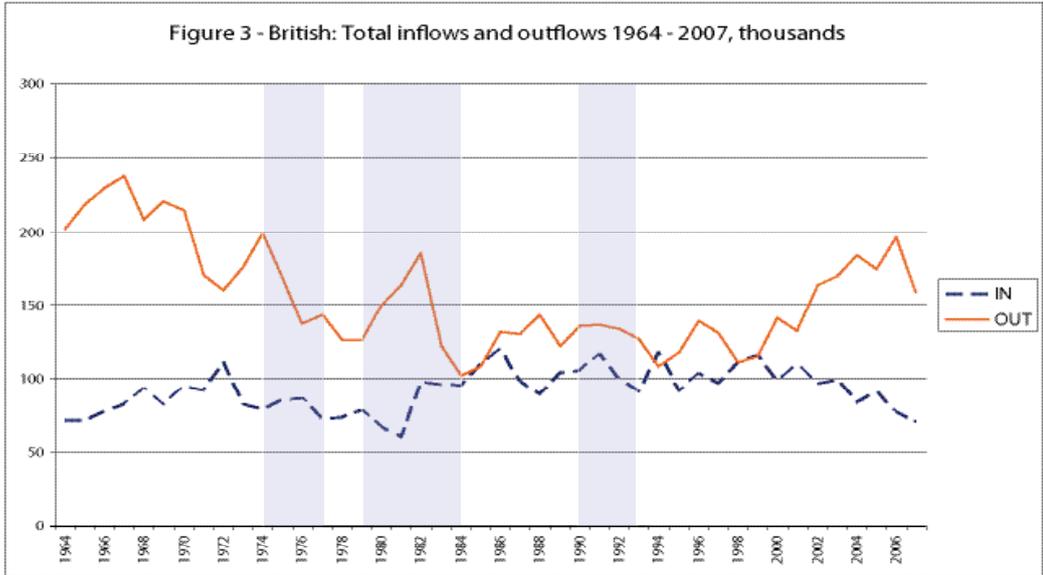
Meanwhile, outflows also tend to fall after an initial rise when those who always intended to return do so. In the case of British citizens, past recessions have seen increasing numbers returning to the UK from abroad, with fewer leaving. If this pattern is repeated in current circumstances, total net immigration may decline less in the immediate future than some anticipate. The latest available data on migration trends seem consistent with this conclusion.

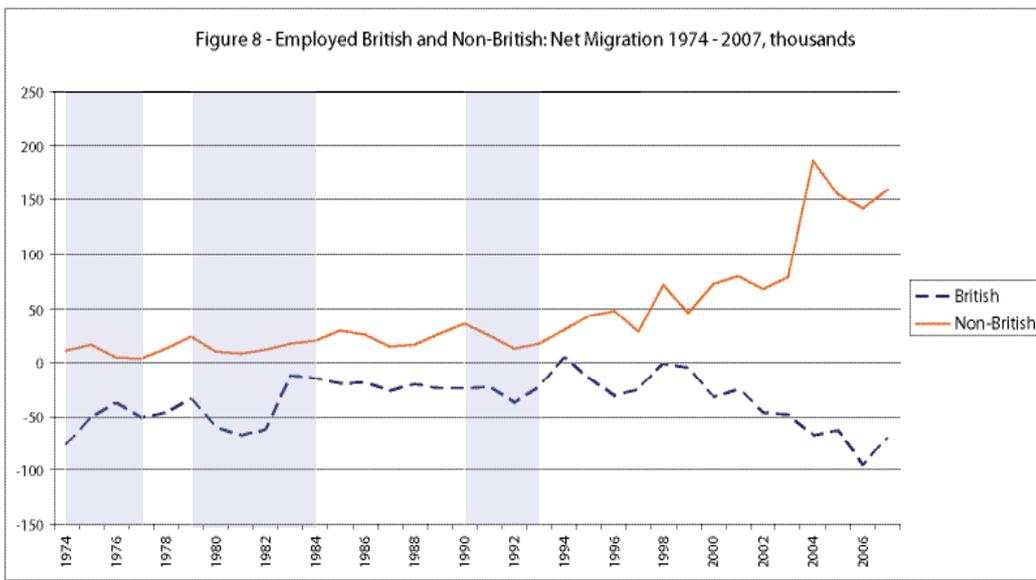
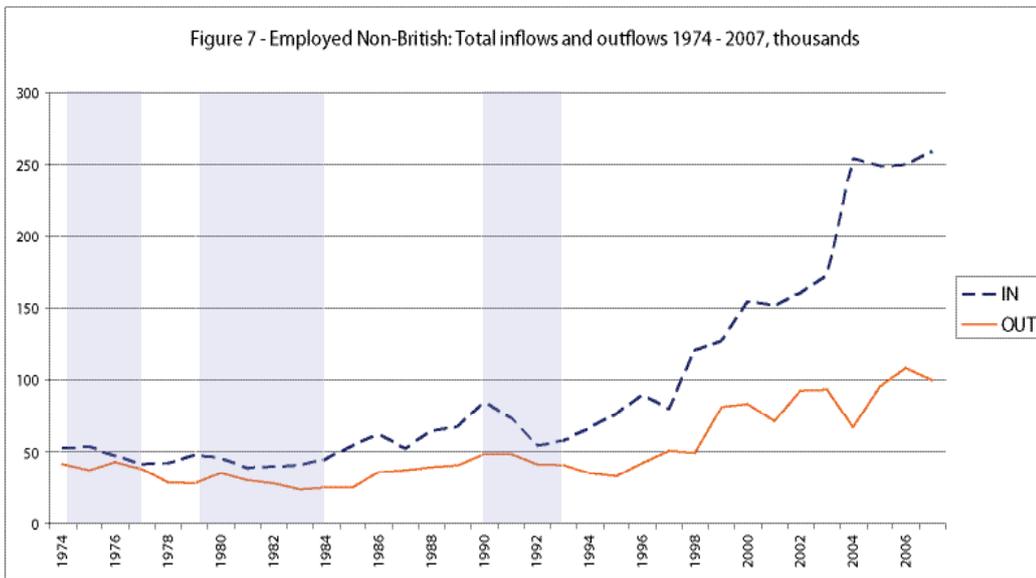
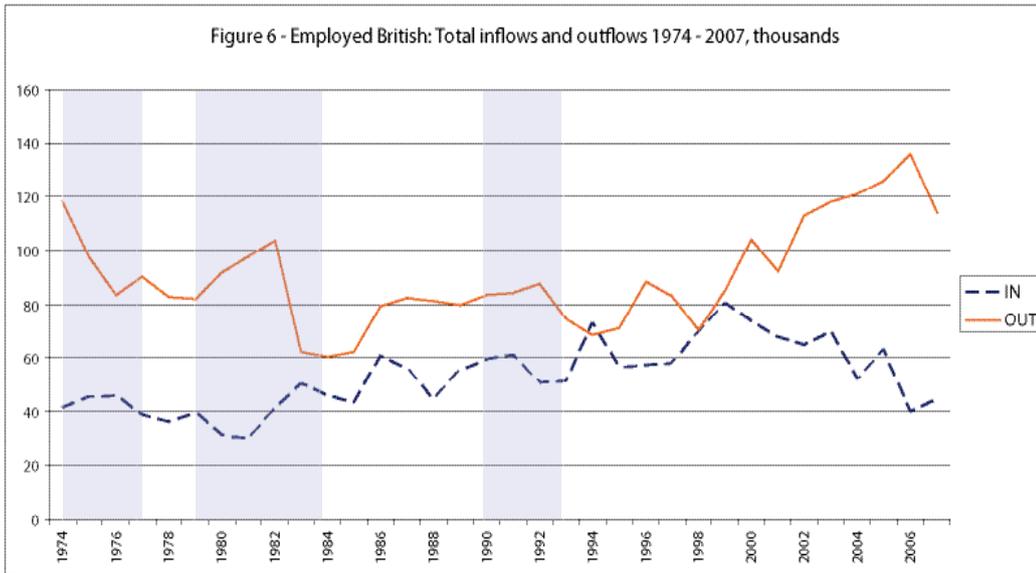
The significance of immigrant labour for the revival of the economy cannot be explored here but three points are worth emphasising. Firstly, many migrant workers are doing jobs which are unlikely to disappear even during a severe economic downturn and which in some spheres have been shunned by British workers. Secondly, considerable numbers of foreign migrants, including many from the A8 countries, are highly qualified even though they may be doing low-skilled work. Thirdly, economic recovery often reveals specific skill shortages owing to mismatches between demand and local supplies that may hinder growth.

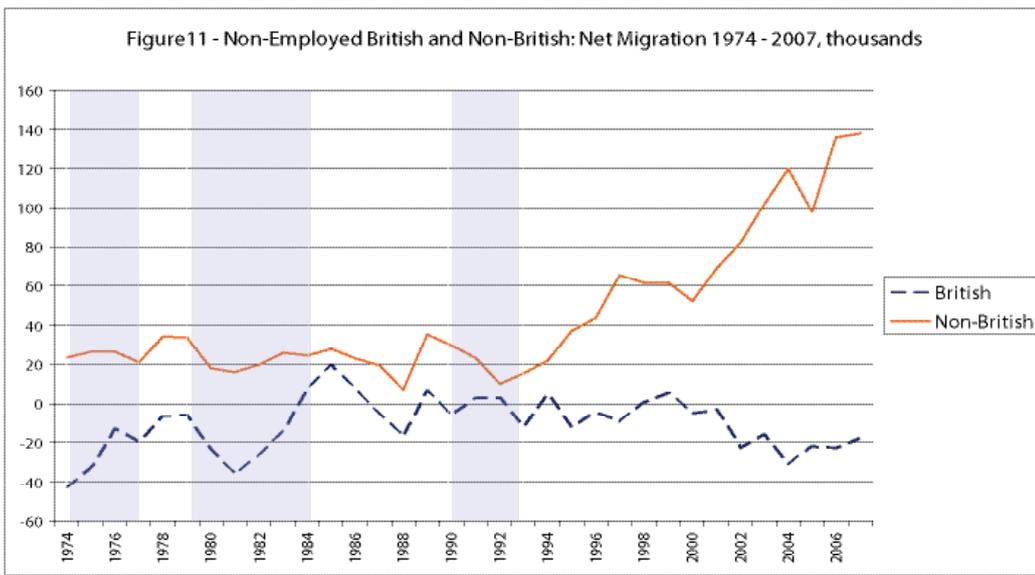
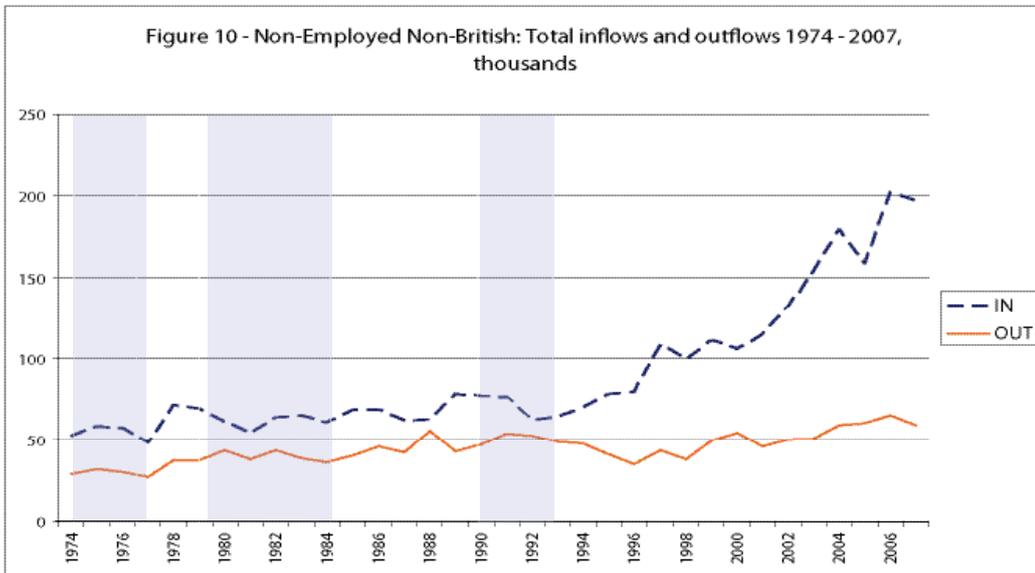
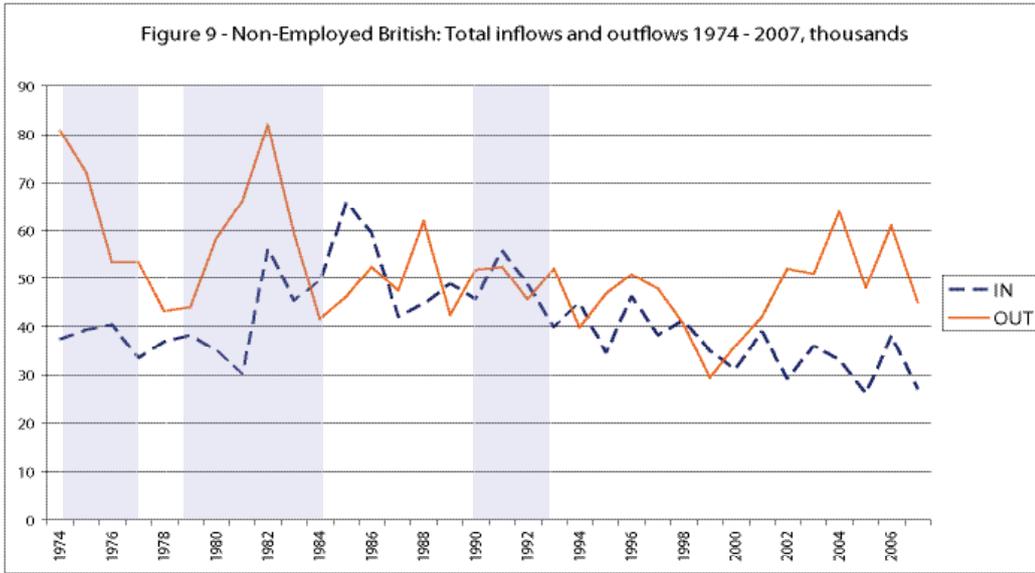
Foreign workers moving to and from the UK are only one component of migration flows. Students are another important group, as are spouses and children. Past experience suggests that there will continue to be an inflow of families to join workers already settled here even if inflows of new migrant labour decline for a year or two. And the migration of British citizens also has implications in terms of numbers and needs. This complexity makes forward planning to respond to population movement a difficult task, particularly at local level.

Moreover, whereas national strategies to control immigration, particularly through the Points-Based System, may have some impact on inflows of workers from outside Europe, a substantial part of the inflow is coming from within the EU and will continue to do so. The government's aim to curtail overseas recruitment where the requisite skills are already available in the UK must be assessed within this context.

Ultimately, the UK is part of an international network of mobility, exchanging population with countries across the world. Given the widespread nature of the current downturn, there will be fewer honey pots to attract mobile people from one country to another. Hence a general reduction in UK and European migration may be expected. Past experience suggests this will be accompanied by a slow growth in foreign population stocks as net immigration picks up again.







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