

V. Voytsekhovska

PhD in Economics, Associate Professor

A. Symak

PhD in Economics, Associate Professor

Lviv Polytechnic National University

## THE IMPACT OF IMMIGRATION PROCESSES ON COUNTRY'S DEVELOPMENT, CASE STUDY OF THE UNITED KINGDOM

**Abstract.** In the article the recent immigration processes in the UK are studied. The key factors, which influence the global immigration policies, are considered.

The study is dedicated to the contemporary immigration processes in different countries and from different perspectives. The key factors, which influence global immigration processes were identified.

The significant difference in income inequality is observed, and the study of International Monetary Fund shows that as inequality increases, the growth decreases and will continue to do so in the future. The effect that the employment of immigrants has on the wages of workers depends heavily on the nature of the labour if immigrant labour is complementary to the labour and skills of native workers, it is likely to have a positive effect on wages. The extent to which immigrant labour is complementary or substitutable can also influence the long-run and short-run effects of immigrant labour. Substitutive immigrant labour provides competition for the native citizens, therefore decreasing the average wage in the host country. Nevertheless, in the long term, because a larger proportion of working immigrants can lead to an increase in productivity and consumption, the investment will also rise, so households will have more benefits. In such a way the presence of immigrants in the workplace helps the productive potential of the economy. These factors could benefit the host country, since they outweigh the loss made initially when immigrant labour is substitutive and lowers the average wage through increasing employment. The conclusion is made concerning the immigration trends and factors, which is necessary for the decision making for better immigration processes in Europe and the UK, in particular.

**Keywords:** immigration processes, labour market, wages, immigration policy.

**Formulation of the problem.** The new decade priorities for socio-economic development shall be

based on Sustainable Development Agenda and its 17 Goals until 2030, there are clear indicators for the regional and global development. However, there is a number of factors, which influence such development, immigration being one of the important ones. Our century is being a century of immigration from many points of view, due to political, economic, social or other issues. Intensification of international migration pressures makes many societies face major policy dilemmas. Most countries of the world are becoming more multicultural, multi-ethnic, multireligious and multi-lingual. The International Labour Organisation says that 175 million people today live outside of their motherland as immigrants or refugees, out of seven- billion world population. There are many conflicts in the world at present. These conflicts generate migration or immigration, among such conflicts being, for example, Ukrainian-Russian conflict and Syrian conflict. The number of not only economic migrants but the refugees as well is increasing day by day due to crises in Syria, Ukraine. The case study of the United Kingdom is particularly interesting, since the country has voted to leave the European Union, so it's crucial to study and evaluate the country's economic development from different perspectives, both social and economic.

### **Analysis of recent research and publications.**

The vast array of studies were made for tackling migration, for instance by such institutions as IMO, ILO, UN, European Commission. Such researchers as S. P. Kerr, W.R. Kerr, I. P. Gianmarco, Peri, Giovanni, J.Kay dealt with the problem. We try to

separate two terms: the economic immigration implies individuals looking for better life and economic conditions, and the refugees are people being politically persecuted in their home country [1, 2, 4, 11]. As a nature of immigration becomes clear, the economic immigrants are able to return to their native country and settle there with money earned in host country, while refugees cannot return to their home country due to mostly political reasons or dangerous situation [2, 4, 6]. Last but not least, once refugees arrive to host country they have lower annual earnings, but then by means of investing in education, they pretend for better paid jobs, while with economic immigrants, the situation is slightly different, they usually do not have big increase in wages from date of entering to date of leaving and do not invest in education in host country. However, if they enter the host

country in the most productive cycle of life, they're likely to contribute most to the society and fill important niches in labour market.

**Materials and results.** According to ONS, the Britain's net migration stood at 333,000 in 2015, the second-highest figure on record in Europe. Net immigration from EU countries, particularly, central and eastern European member states Poland, Romania, Bulgaria, rose rapidly after their accession to the EU in 2004 and more recently when citizens of Bulgaria and Romania acquired the right to work and settle in the UK. Only by leaving the EU can the government reduce the numbers of EU migrants, which often claim social security and other types of assistance.

Can Britain cut migration significantly?



Fig. 1. The migration tendencies in the UK by citizenship, period 1975- 2015.

Source: Office for National Statistics, UK, 2016 [2].

EU migrants tend to be young and are likely to be employed. They contribute more to the UK public finances than they take out and much more than UK-born citizens. And their numbers already appeared to be plateauing, now that the initial surge from Romania and Bulgaria has abated.

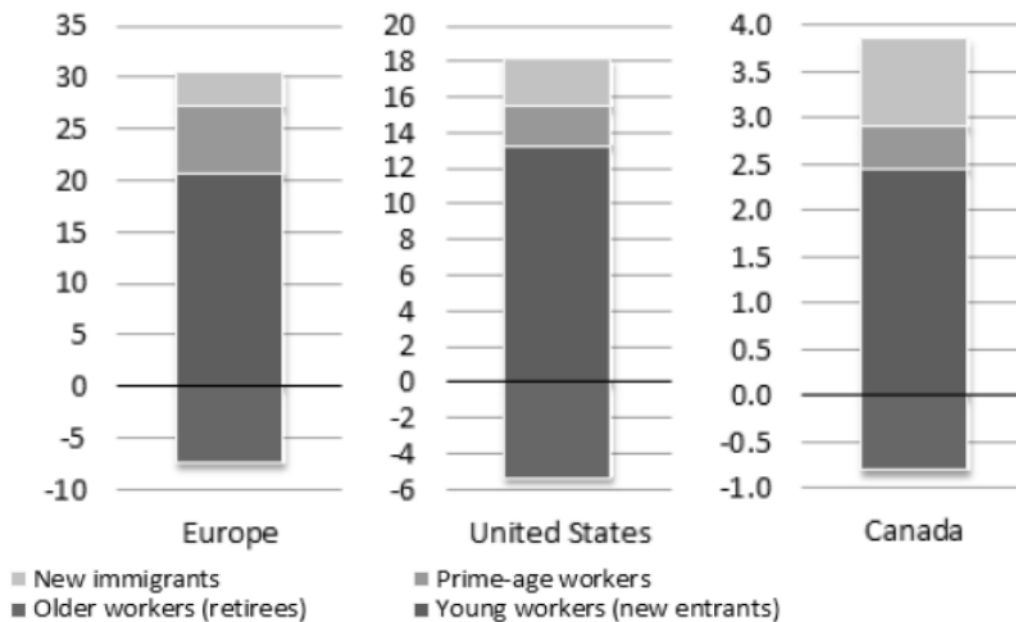
Even if EU net migration was cut to zero, Britain would have far more migrants from non-EU countries than the prime minister's tens of thousands pledge. As long as Britain's economy does well, it will attract immigrants [1, 6].

## DO IMMIGRANTS CONTRIBUTE TO LABOUR MARKET?

Over recent years, immigration increases significantly. The main European migration patterns today differ from those of even 60 years ago. Europeans emigrated heavily in the late 19th and early 20th centuries, but today the reception and assimilation of immigrants is a significant economic and social phenomenon in many previous emigration countries. Altogether 27m foreign nationals lived in European Union (EU15)

countries in 2007, accounting for about 7 % of the population. Figure 1 shows that most of the recent population growth in Europe results from migration. So in the United States immigrants represent 47 % of workforce, while in European

Union this figure approaches 70 % (OECD, 2012). The main migration channels are family, humanitarian and free-movement migration. Fig. 1 illustrates the changes in tertiary-educated labour force.



*Fig. 1. Changes in the tertiary-educated labour force, 2000-10 by source, millions.*

*Sources: European countries: European Labour Force Surveys (Eurostat), 2000 and 2010\$ United States: 2000 Census and American Community Survey 2010\$ Canada: Survey of Labour and Income Dynamics, 1998-2008 [1].*

This illustration considers legal migrants only, since the illegal migration would further increase the migrant share coming from outside the OECD for most host countries. As we can see from the listed above data, immigrants represent over 30 % increase in highly skilled of labour force in Canada, over 20 % in the United States and 14 % in Europe. The level of education also differs, younger economic migrants usually have better education than the older ones, which are closer to retirement age. Depending on the migration need, which has not only economic reasons, the migrants play an important role in the development of large economic sectors. It should be noted, that often immigrants are engaged in unpopular sectors of economy, such as crafting, houseworking, constructions, building, agricultural works and others. In Europe those occupations represent 24 %, while in the United States – 28 % of all

jobs. Often the locals do not want these kind of jobs, from the point of view of career perspective or unattractiveness of income, while in the home countries of immigrants, those wages are high enough even to support their family in the country of origin [7, 8].

As a matter of fact, by means of increasing the supply of educated and skilled workers, the presence of immigrants in the workforce results into higher labour productivity, most commonly measured as output per person. According to the report from the National Institute of Economic and Social Research (NIESR), the UK demonstrated a 1 % increase in the number of immigrants employed between 1997 and 2007, correlating with a rise in labour productivity of 0.06–0.07 % during this period. This increase in productivity occurs for many reasons: skilled immigrants are more willing to take on lower-skilled jobs, employing their expertise; the

diversity of teams with immigrant workers is conducive to productivity; immigrants' knowledge of their home countries; the more prevalent promotion of specialisation with immigrant workers present, but mainly, because of the hard-working nature of immigrants. An increase in productivity enhances the EU economy and makes it more competitive, effecting as a result the decrease of prices of goods and services. Furthermore, the NIESR has found evidence that the skills of immigrants are acting as a complement to those of native workers.

One of important issues is competition on labour market, the immigrant labour can be said to benefit the EU or be motivating for the EU born workers, that try and obtain the same level of education, same skills as immigrants. As a result, such competition could help the economy to expand through increasing the productive capacity of the European Union. As productivity of labour is linked with a country's standard of living, one of the most important ways of increasing economic growth in a country is through encouraging productivity in order to boost the potential capacity of the economy [5].

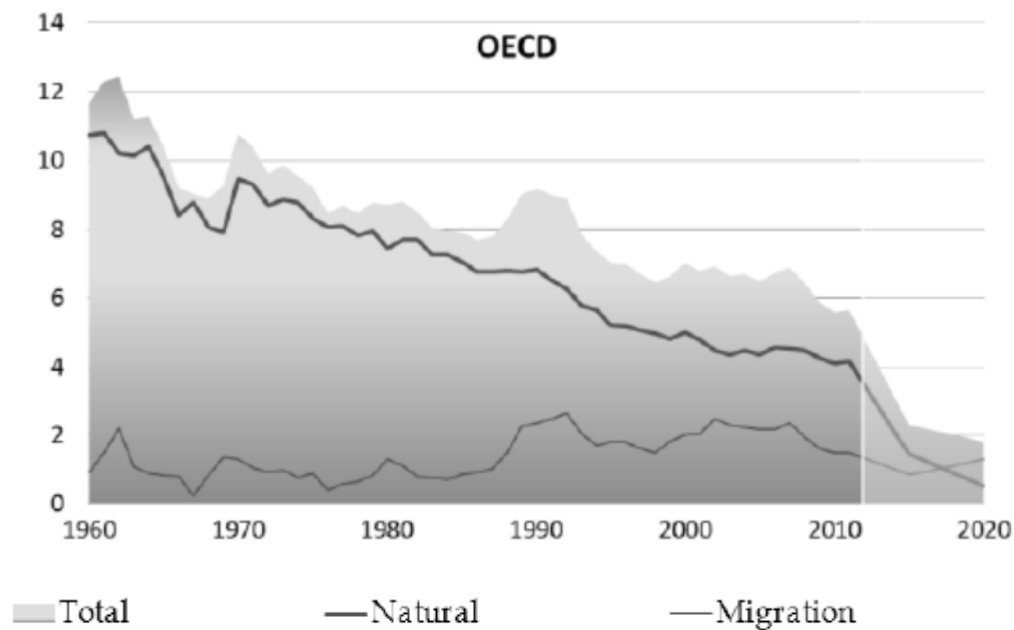
Often the wages earned by migrants in the EU are seen as more than could have been earned in their country of origin, national consumption would increase, as more of the population would be purchasing native goods. Further contributions to the economy would be lowering of prices, resulting from increased productivity and improved exports. This provides the means of economic growth as aggregate demand increases, which the economy can greatly benefit from. Therefore, often the immigrants to the EU or North America can help the economy through contributing their skills and education, which in turn will result in its growth.

A number of theoretical and empirical studies show that migration positively impacts the economic growth, however, the shortage of harmonised comparative data prevents us from making definite conclusions. The fact that skilled immigrants are beneficial for the

economy is evident, however, the fact that this impact is small and not significant should be also taken into consideration. Following the European Union enlargement initiatives in 2004 and 2007, the labour mobility significantly increased. This added to the adjustment of labour market capacity and flexibility. It is important to study the willingness and ability of immigrants to remain in the host country, whether they are willing to invest in language skills and other socio-related skills, once person made the decision to live in a certain country. Therefore it is important here to study the immigration's trends in order to make appropriate forecasting and decision making for labour market performance.

The IOM predicts that the total number of international migrants will approach 250 million by the year 2050. Such a prediction has to reflect many probable factors. These include the effects of war, famine, drought and epidemics, the increasing economic gap between rich and poor countries and the differential between countries in which population is growing and those where it is decreasing. On the basis of data on fertility rates, UN projections show significant decreases in the populations of many countries in Europe and some in other regions, contrasting with large projected increases in parts of Asia, Africa and the Americas[1].

Despite contributing to the economy in the mentioned ways, the 31<sup>st</sup> Nat Cen Social Research British Social Attitudes survey shows that almost 25 % of Britons believe the main reason workers immigrate to the UK is to claim benefits and over 75 % of the population have the view that immigration should be reduced. It is surprising therefore, that a study at University College of London discovered recent immigrants were 45 % less likely to receive money from the government through benefits between 2001 and 2011 than UK born workers. However immigrants add more in taxes than they claim from social benefits, so compared to recent immigrants from both the EEA and non-EEA, they have lower revenue to expenditure ratio over the past decade [9].



*Fig. 2. The components of total population growth in OECD countries, 1960–2020 per thousand inhabitants [11]*

*Source: OECD Population and Vital Statistics database*

The significant difference in income inequality is observed by the study of International Monetary Fund showing that as inequality increases, growth decreases and will continue to do so in the future. The effect of immigrant labour on the wages of workers depends heavily on the nature of the labour if immigrant labour is complementary to the labour and skills of native workers, it is likely to have a positive effect on wages. The extent to which immigrant labour is complementary or substitutable can also influence the long-run and short-run effects of immigrant labour. Substitutive immigrant labour provides competition for the native citizens, therefore decreasing the average wage in the host country. Nevertheless, in the long term, because a larger proportion of working immigrants can lead to an increase in productivity and consumption, the investment will also rise, so households will have more benefits. In such a way the presence of immigrants in the workplace helps the productive potential of the economy. These factors could benefit the host country, since they outweigh the loss made initially when immigrant labour is substitutive and lowers the average wage through increasing employment.

**Conclusions.** There is an objective need for a solution, which would be based on a transparent and realistic opinions, since depending on the host country and the country of origin of immigrants the immigration patterns differ. All in all, the positive trend from immigration is boost in working-age population and technological progress, in case of skilled workers migration. However, recent trends also show that a lot of investment in human capital is needed first for the immigrants from developing countries to become educated and skilled labour force and contribute actively to the economic development.

Therefore there cannot be used any single approach towards immigration policy. The key element here is to identify the main migration factors, as we see from the research those can be: institutional framework, social benefits attractiveness, labour market conditions and so on. The understanding of these factors is important if our society is planning to develop the strategies that would enable immigrants to fully integrate in the society, which in turn would be beneficial for immigrants and host countries.

The successful immigrant policy shall include both institutional and educational framework and easier access of immigrants to the

labour market, so both immigrants and host-countries shall profit from such a policy only in this case, the socio-economic impact of immigration will be positive.

### References

1. *The World Migration Report, International Organisation for Migration, 2015, Geneva.*
2. *Dataset : Detailed estimates dataset by origin and destination local authorities, sex and single year of age, ONS, June, 2016.*
3. *Sari Pekkala Kerr, William R. Kerr Economic Impacts of Immigration: A survey Harvard Business School working paper, 2011, 48 p.*
4. *The truth about asylum – Who's who: Refugee, Asylum Seeker, Refused asylum seeker, Economic migrant, London: Refugee Council, 2015.*
5. *Park, A., Bryson, C. and Curtice, J., 2014, British Social Attitudes: the 31st Report, London: NatCen Social Research, available online at: [www.bsa-31.natcen.ac.uk](http://www.bsa-31.natcen.ac.uk)*
6. *Local area migration indicators suite QMI, ONS, United Kingdom, August, 2016.*
7. *Ottaviano, Gianmarco I. P.; Peri, Giovanni “The economic value of cultural diversity: evidence from US cities”, 2014, Journal of Economic Geography 6 (1), ISSN 1468-2702, p. 31.*
8. *Kay, J. The Economics of Immigration. Everlasting Light Bulbs: How economics illuminates the world.,2004. The Erasmus Press. p. 64–67.*
9. *Ostry, J., Berg, A. and Tsangarides, C. (February 2014). Redistribution, Inequality, and Growth. IMF Staff Discussion Note. No. 14/2. Available: <http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>*
10. *Rolfe, H., Rienzo, C., Lalani, M. and Portes, J. (November 2013). Migration and productivity: employers’ practices, public attitudes and statistical evidence. NIESR. Available: <http://niesr.ac.uk/sites/default/files/publications/Migration%20productivity%20final.pdf>*
11. *Ruhs, M. and Vargas-Silva, C. The Labour Market Effects of Immigration., 2014 Migration Observatory briefing, COMPAS. No. 2.*