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Brexit: Lower immigration, lower growth

AGNIESZKA GEHRINGER

Abstract

The uncertainty around Brexit is worsening the UK migration balance with the EU. This can have negative consequences for the British labor market.

Zusammenfassung

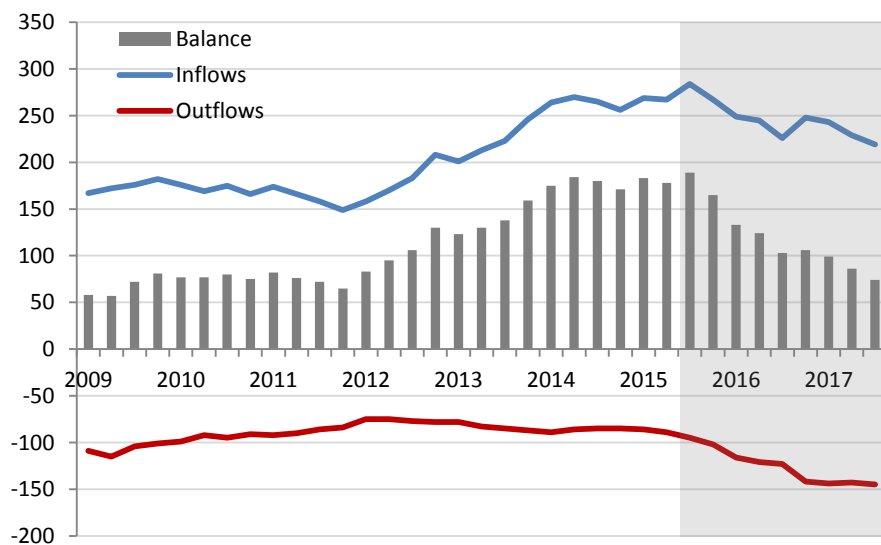
Die Unsicherheit um Brexit verringert die Zuwanderung nach Großbritannien aus der EU. Dies kann negative Folgen für den britischen Arbeitsmarkt haben.



Two and a half years after the Brexit referendum, the terms of the “divorce” are still unclear. This creates uncertainty not only for companies, but also for employees. Net migration from the EU to the UK has declined since the plans for a EU-referendum started to materialize in mid-2015 (**Figure 1**). Not only are fewer EU citizens coming to the UK, but the number of EU citizens leaving the UK has reached historic highs.

The uncertainty surrounding Brexit has diminished the attractiveness of the UK as a destination for migrant workers, particularly for Poles, who are among the strongest migrant group in the UK. Emigration from Poland to the UK as a proportion of total Polish emigrants has declined by almost five percentage points since 2014 (**Figure 2, left**). Similarly, Poles returning from the UK as a share of total Polish immigration increased by over five percentage points (**Figure 2, right**). Against this, Germany’s attractiveness has increased for Polish emigrants over the same period.

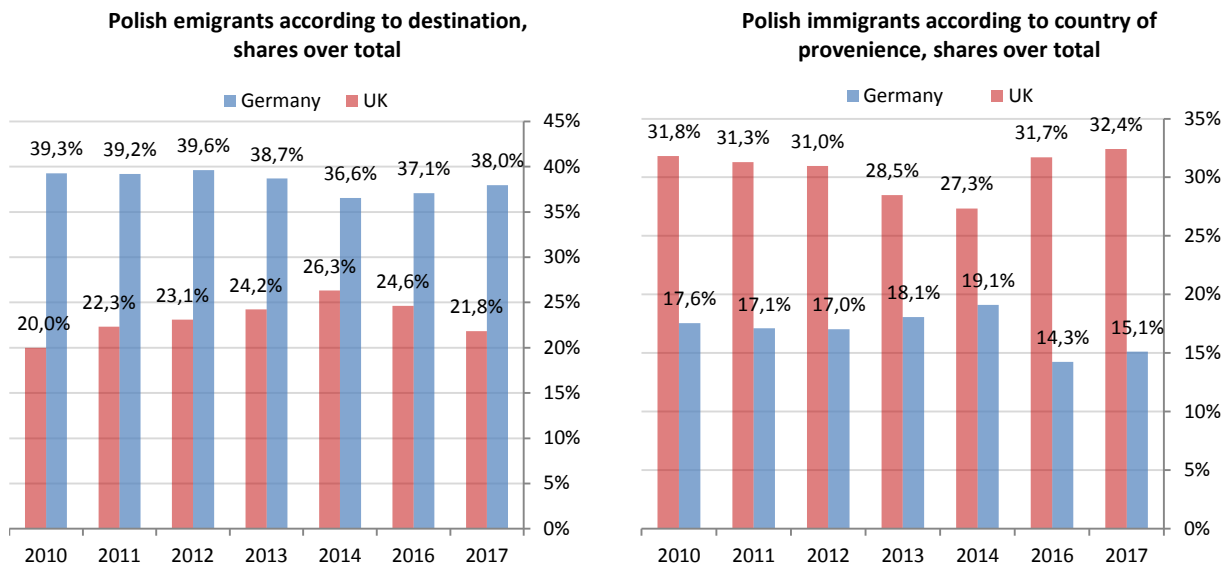
Figure 1. Migration flows of the EU citizens in the UK, rolling annual data, in thousand.



Source: Own elaborations Flossbach von Storch Research Institute, UK Office for National Statistics (ONS)



Figure 2. Migration flows of Poles towards/from two major destination/provenience countries



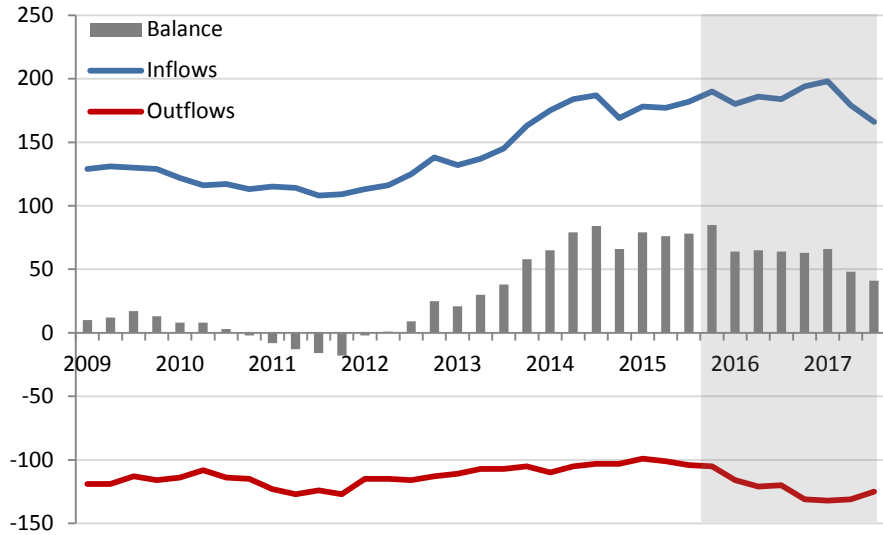
Note: Data for 2015 are not available.

Source: Own elaborations Flossbach von Storch Research Institute, Polish Statistical Office (GUS = Główny Urząd Statystyczny)

The development of migration flows could be seen as a triumph for Brexit supporters, as the commitment to curb immigration was one of the central goals of the Brexit initiative. However, this should come at a cost for the British labor market. Indeed, as a reflection of growing uncertainty, foreigners with a job both arriving in and especially leaving the UK started to decline/increase, respectively, around the Brexit referendum (**Figure 3**). This is a negative outcome given the growing number of job vacancies economy-wide. For manufacturing, the proportion of vacancies per 100 employees has increased significantly since the end of 2015. But also in services, the backbone of the British economy, the share of job vacancies has widened over the same time period (**Figure 4**). This effect can hardly be attributed to cyclical factors, since the hot phase of the cycle was between 2012 and 2015, followed by a stabilization phase thereafter and until the Brexit vote.

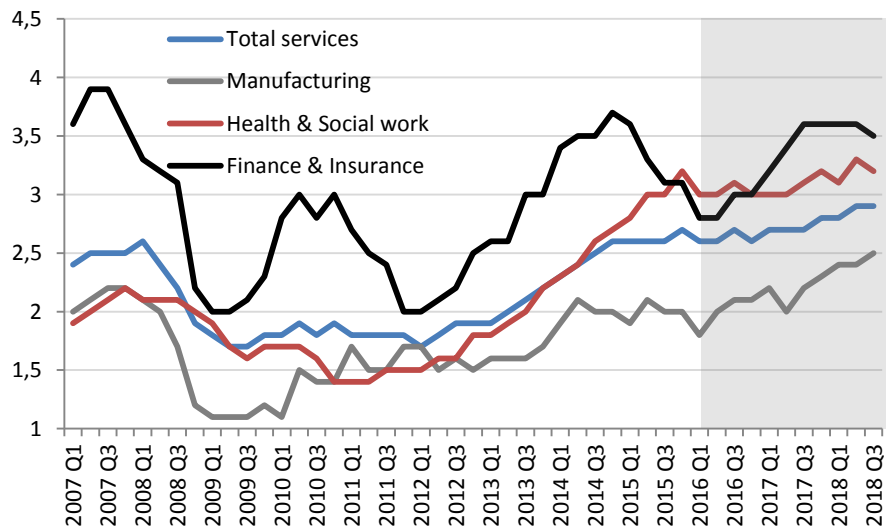


Figure 3. Work related migration flows in the UK: foreigners with a definite job, rolling annual data, in thousand.



Source: Own elaborations Flossbach von Storch Research Institute, UK Office for National Statistics (ONS)

Figure 4. Job vacancies as a ratio per 100 employee jobs.



Source: Own elaborations Flossbach von Storch Research Institute, UK Office for National Statistics (ONS)



Conclusions

In sum, Brexit has made the UK less attractive especially for skilled migrants from EU countries. The drain in qualified but also lower-skill labor is likely to reduce British potential GDP growth and to make British residents worse off. Brexit has many prices, and this is one of them.



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