

# Migration and local economies

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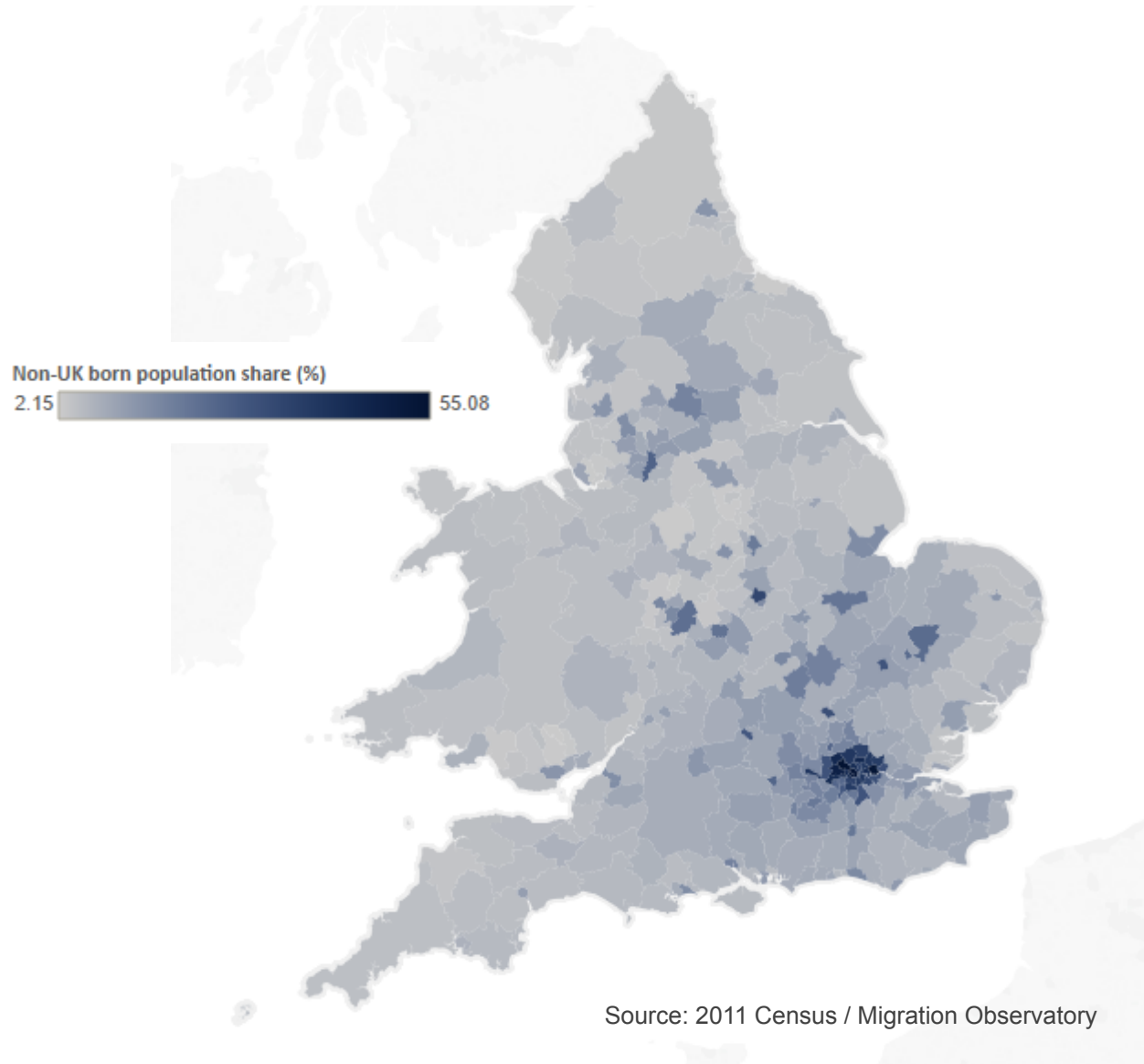
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RGS London, 22 March 2016

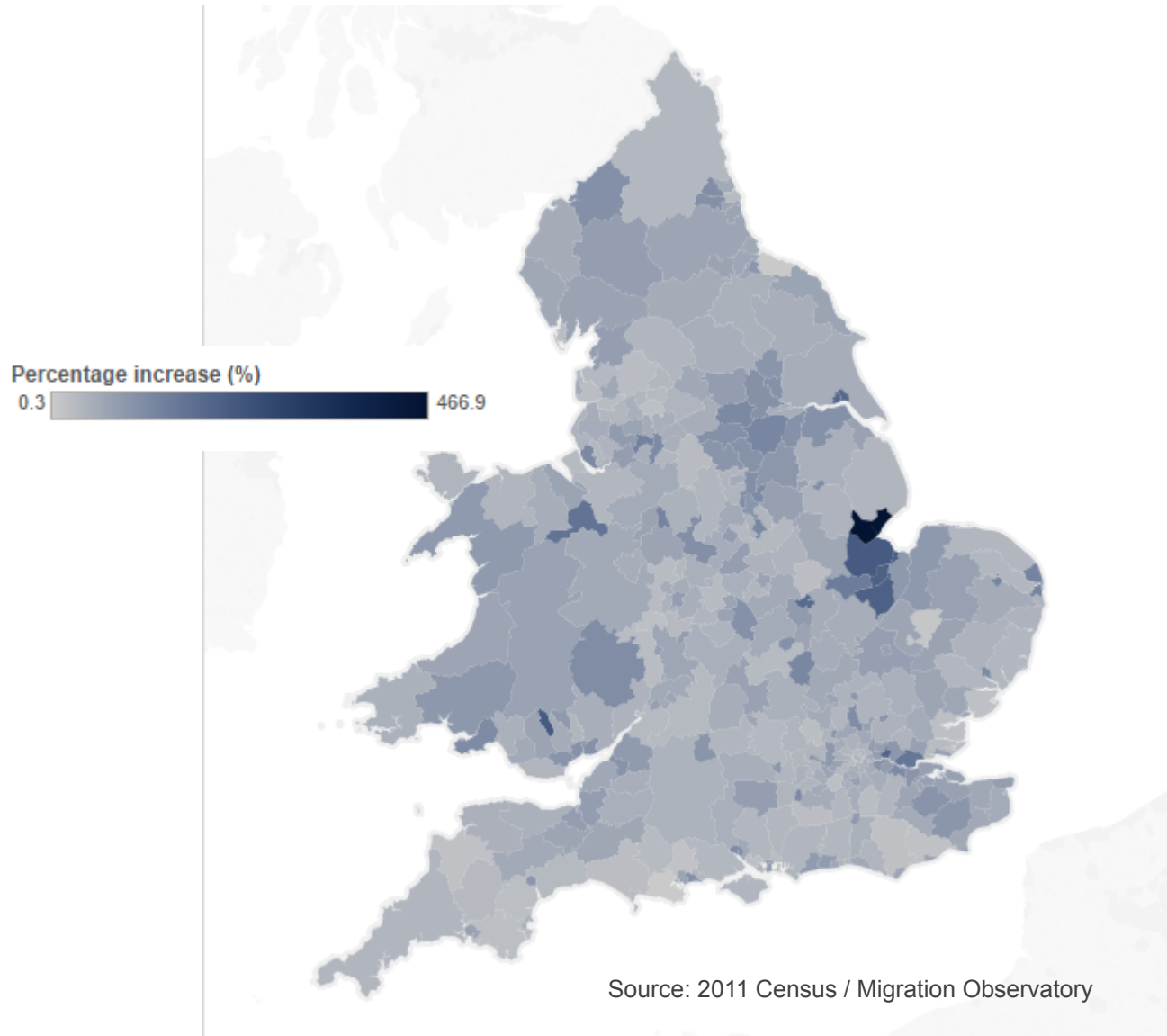
# Main messages

- Migration is spiky, and concentrated in cities
- Superdiversity in a few urban neighbourhoods
- Local impacts: labour markets and longer term growth
- Cities amplify these impact channels
- Labour markets: average effects small or zero; some low wage issues
- Growth effects: evidence of positive impacts. Need to know more
- Local leaders have little direct influence on policy: look for indirect levers

# Local migrant population share, 2011

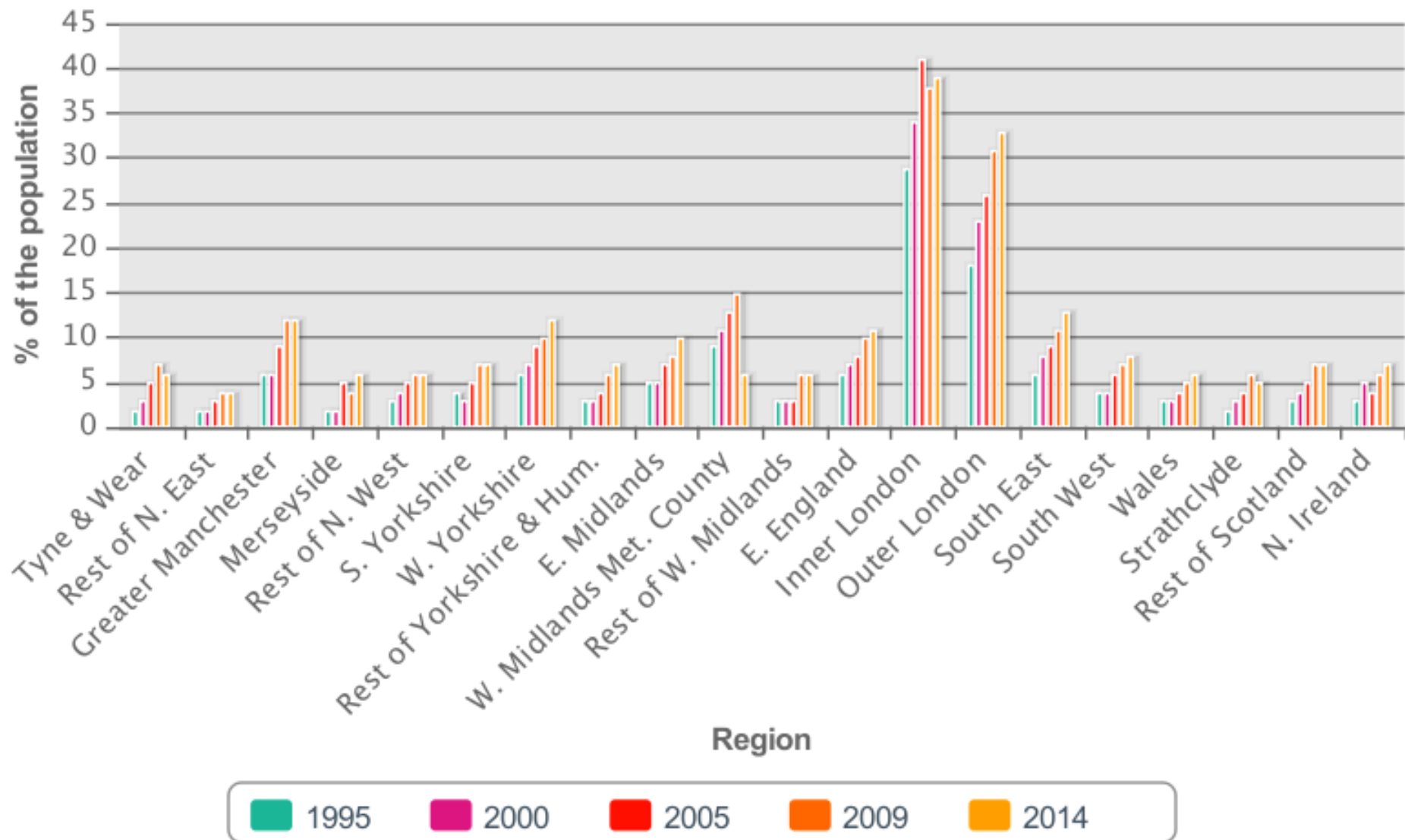


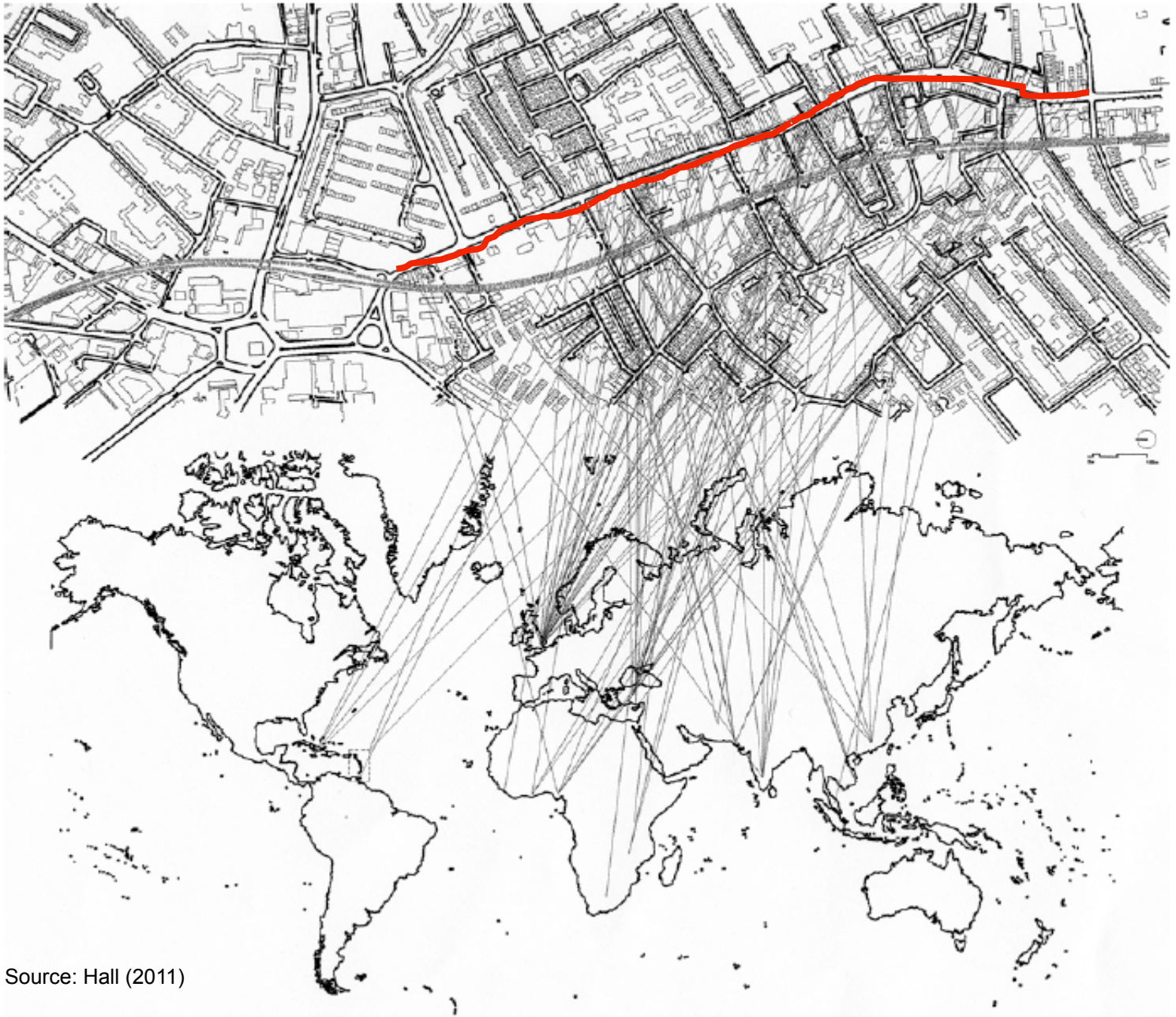
# Change in share, 2001-2011



# Share of foreign-born in the population by region, 1995-2014

Chart provided by [www.migrationobservatory.ox.ac.uk](http://www.migrationobservatory.ox.ac.uk)





Source: Hall (2011)

# Impacts: where to look

- Most economists have thought about impacts **narrowly** ... in terms of one-off 'shocks' to jobs, wages, housing markets (Borjas 1994; Card 2005; Dustmann et al 2006; Saiz 2003, 2006)
- But **migration also affects long term growth** (Kerr 2013; Kemeny 2014; Nathan 2012, 2014)
- Importance of **skilled migration; diversity; diasporic groups ...**
- **... these growth channels feed back into to local wages, employment**
- A lot of the action will happen in **cities**. This is where migrants are concentrated, and where most economic activity takes place

# Growth framework

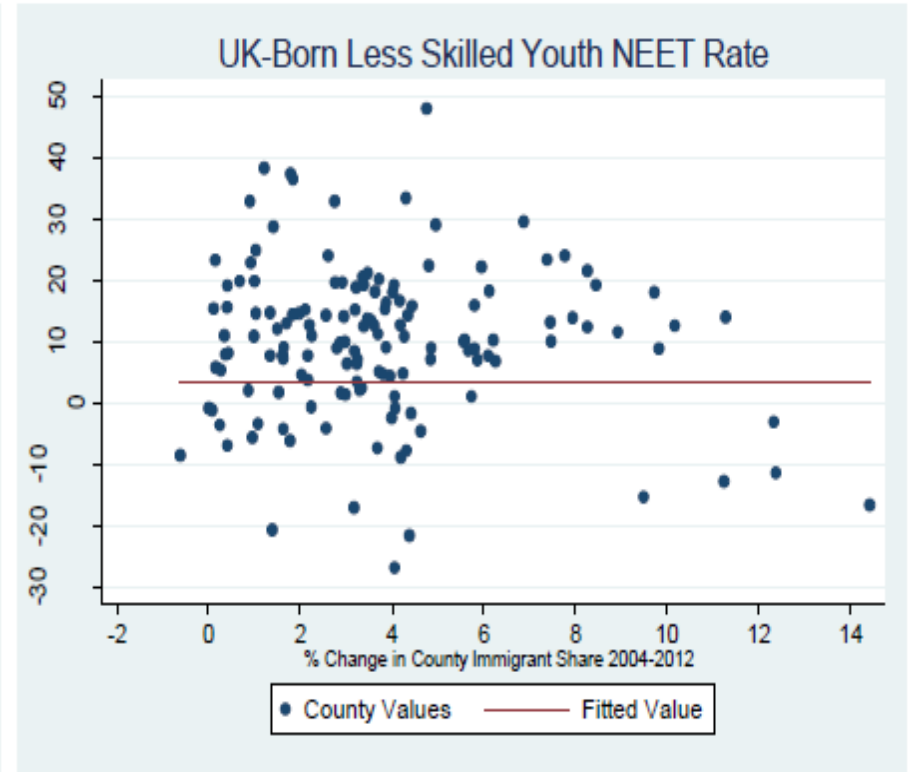
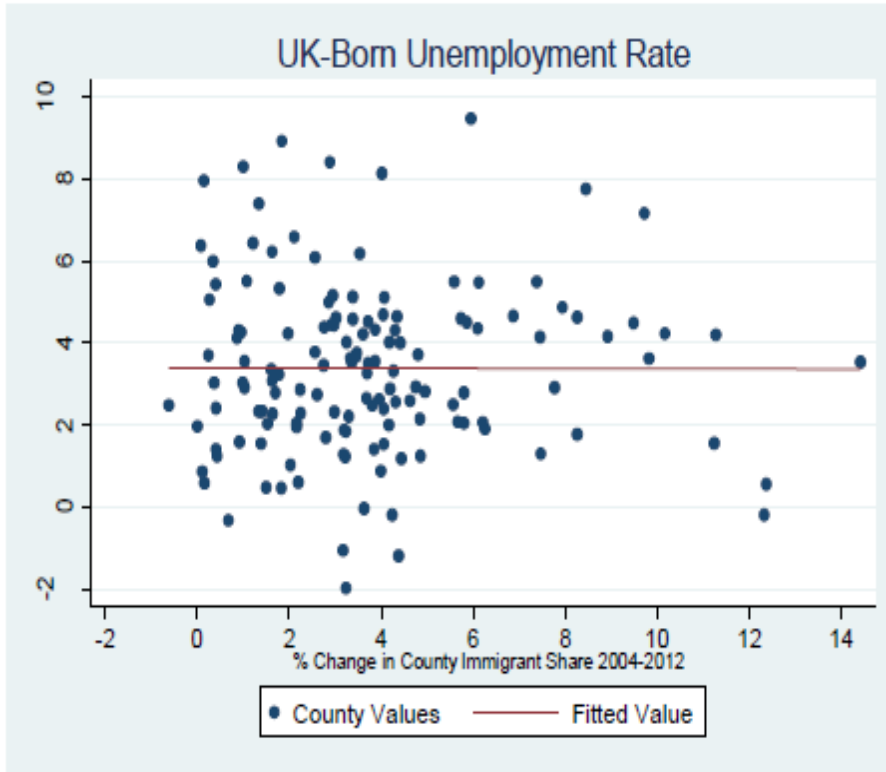
- Skilled migrants and team diversity can help **generate / diffuse ideas**; help firms **match up workers to tasks**
- **Entrepreneurs** help introduce new ideas: **migrants may be more entrepreneurial, more ready to disrupt industries**
- **Trade** is costly => opportunities for **diasporic groups who can smooth access to new markets**
- In theory, many of these wider impacts could be **positive or negative** in their effects on economic welfare
- These channels will be **amplified in cities** because of demographics; agglomeration effects; or both



# Evidence: local growth

- **Migrant diversity raises firm productivity, which feeds through to wages.** Task substitution explains about 50% of this (Peri + Sparber 2011)
- Workforce birthplace / ethnic diversity **helps firms innovate.** Effects are small (Nathan and Lee 2013; Parotta et al 2014; Ozgen et al 2013)
- Migrants **more likely to be self-employed.** UK Tier 1 migrant entrepreneurs support six jobs each – but not all high value firms (MAC 2015)
- **Diasporic groups influence trade flows** (Docquier and Rapoport 2012)
- **More diverse cities have higher productivity, innovation, and wages.** Effects on **housing costs vary.** (Ottaviano and Peri 2006; Kerr 2009; Hunt and Gauthier-Loiselle 2010; Peri et al 2013; Bosetti et al 2015; Trax et al 2015; Kemeny and Cooke 2015)

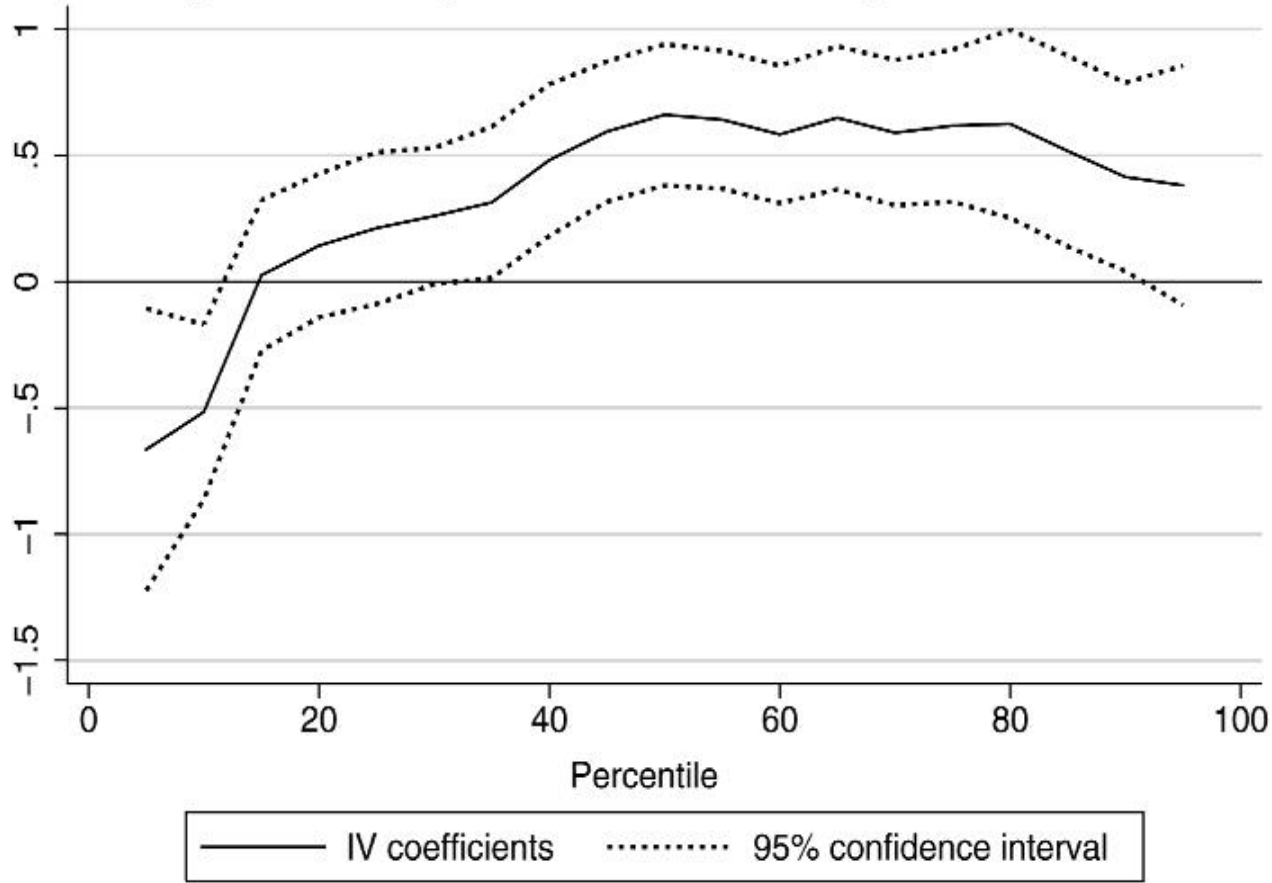
# Evidence: local labour markets



Wadsworth (2015), using APS data. Units are counties. 2004 - 2012

# Distributional impacts

Impact of immigration across the wage distribution



Dustmann et al (2013). LFS data, LFS regions, 1997 - 2005

# Policy

- Most of the policy levers are at **national level, not local level**
- Governments not always keen to evaluate
- Lots of skilled migrant programmes, e.g. startup visas – little assessment
- UK Tier 1 Entrepreneur, Investor routes are not brilliant – could do better
- **Look further afield:** students and post-study stays; business support for new firms; FDI and export promotion; **help cities to grow**
- **Re-regulation and enforcement:** low-road employers; minimum wage; informal economy; temp agency sector

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