

Hard Brexit and its potential long-run consequences on the British population and workforces



DOI reference: [10.1080/13673882.2018.00001048](https://doi.org/10.1080/13673882.2018.00001048)

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One of the most important arguments used by the Leave Campaign during the

electoral campaign for Brexit was related to a negative vision of migration in the UK. A total closure of borders to Europeans and extra EU workers will have quantitative and qualitative effects on the composition of the British population and workforces. Most of the arguments exposed by leavers were not supported by data and the real dimension of migrants and their composition were omitted in the debate. The aim of this article is to explain the potential negative consequences that a “closed borders” policy could have on the competitiveness of UK economy in an international and long-run perspective.

Introduction

A share of the votes necessary for the victory of Leave arrived from people scared about a new “invasion” of migrants. The question is whether there were too many migrants in the UK and if they represent a risk for the British economy. The basilar position is that migrants stole jobs from British workers, and in case of the permanence in EU, migration flows could increase; thus to avoid the arrival of migrants from Africa, the proposed solution was to also close the border to the EU. These arguments pose some important questions. How many foreigners already live (and work) in the UK? Have people who voted for Leave really experienced a foreigners “invasion” ? What is the role of EU migrants in the UK economy and there are differences between them and non-EU migrants? Could the UK could grow faster (economically) by reducing migration? The following sections will s some answers based on data.

Real, perceived migration and vote

The United Kingdom is noted by the rest of the world as a multicultural model and a good example of integration under the same normative and legal contexts. With their colonial history, the UK has been home to many cultures and populations with different ethnic backgrounds, and this has not been a problem for decades.

The latest economic crises are pushing people to fear of the future, and not only in the UK. In the US, many people agreed to the concept of “America First”, and in the whole of Europe, far-right movements are growing corresponding to a

common concept of “closed borders” (for the United States, see Komlos 2018; for Italy, see Perri 2019).

In the UK, this sentiment is exacerbated by the mistaken perception about numbers of foreigners. The British were convinced that migrants were 24 percent of the total population, but in reality they were only 13 percent (*this was not the highest gap in the European wide survey - the difference between actual figure and average guess was 23% for Italy. Source: Ipsos Mori Social Research Institute (2014), reported by The Guardian, 29 October 2014*). The Office for National Statistics (ONS) estimates that in 2017, just under 9.4 million people living in the UK were born abroad, (14.3% of the total population of the UK). Of these, 3.7 million were from countries now in the European Union and just under 5.7 million were from non-EU countries. So with the economic crises alongside the misperception of how many migrants there are, these is a dangerous mixture that could lead to the British exiting Europe just to close her borders to France.

This is because far-right propaganda described an “African Invasion” that would head for Italy, and via France, would arrive in the UK. This influence on voting is clear if we re-examine the territorial distribution of the leave voters. The Leavers won in the areas where communities tended to be more economically disadvantaged than average; where average levels of education were low; and where the local population was heavily white (Goodwin and Heat, 2016). In reality, the leave voters were mostly in areas in which there was not an “invasion” of migrants, and where reasons for the economic crisis were not as easily understandable from a population were looking for “external enemies”, such as Europe and migrants. If we consider the City of London, one of the most multicultural cities in the world, the Remainer vote was about 60 percent.

The “real” role of migrants in the UK economy

The votes for leave based on the migration control concept, starts from the idea that migrants are stealing jobs from UK-born people, and putting pressure on public resources, but are these ideas verifiable? The occupation rate of migrants from EU is higher with respect to UK-born people, 78.2 percent in respect to 72.5 so is there a substitution happening between the two populations? The data suggests probably not, because these differences are borne from other the

reasons. EU immigrants are, on average, more educated than the UK-born, with almost twice as many having some form of higher education (43% compared with 23% UK-born). Only 15% of EU immigrants left school at 16 compared with 44% of the UK-born (Dhingra et al. 2016). This data shows us that the UK economy is attractive for the medium-high educated migrants (*The Global Human Capital Report, 2017, has shown that high and medium skilled workers contribution to the growth of GDP is higher than low skilled workers, and this characteristic is, in practice, verified for the whole globe*). This is particularly true if we observe the migrants from countries that joined the EU since 2004 (*The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia*), where only the 9 percent of migrants have low levels of education, but 82 percent are in work (compared to 72% of UK-born individuals). More educated and more in work – this is exactly the opposite of Leavers arguments.

Analyzing the flows of EU migrants for the 2010-2015 period looking at both occupation and unemployment rates, we observe that the Leavers ‘facts’ are absolutely uncorrelated (*CEP analysis of Labour Force Survey, 2016*). After the last financial crisis, EU migration to the UK increased in parallel with the occupation rate, and as the unemployment rate declined in the period 2013-2015, the number of EU migrants still increased. The unemployment rate is thus appearing to follow the economic cycle and not the migration cycle.

In time, closure to European migration will also have other “quality” negative effects. Conversely to many other countries (For instance, Italy is experiencing a low skilled migration and is losing skilled workers, particularly in the south (see Perri 2019, follow this link for details), the UK was a perfect place for scientists and skilled people in general to work. British Universities, by their history and ranking, were always so attractive for academics and students who came in from all over the world. Pluralism and competitive wages were the keys to attracting a huge number of skilled European workers.

The closure to this kind of migration will damage the “quality level” of scientific institutions, and thus also the industrial sector. In the future, market competition will be based on new technologies, virtual services, and the 4.0 industry. Closing border policy may disadvantage the UK with respect to new Asian competitors. Even Boris Johnson understands that and has tried to avoid this risk with “ad hoc” status for the scientists (*UK Prime Minister announce a points-based fast-track immigration route to encourage “elite researchers and*

specialists in science” to move to the UK — a move which comes just 12 weeks ahead of the UK’s planned withdrawal from the European Union. Source: CNN, 8 August 2019).

Demographic effects will also play a role in long-run perspectives. The closure of the border to everyone will make all foreigners equal, and this fact will determine another different problem concerning extra-European migration. Unlike the populations of other European countries, the UK is not declining, but similarly as with all “mature economies”, the fertility rate is having a “remarkable decline”. In order to maintain the current population size in the UK, the average number of live births per woman must be 2.1 children; currently it is 1.7 (*“The Annual Global Burden of Disease Study”, published in The Lancet, 2018*). This is not a singular event.

In all mature economies, the increase in income per capita is associated with a reduction in fertility rate. There are two specific examples to explain this phenomenon. In China, the policy of “single child” has caused a reduction of fertility rate, but in the subsequent periods, the fertility rate has had a further reduction without law constraints. This is because for social and economic reasons, the increased level of average income determines a voluntary reduction in numbers of children for women. (Goldstein 2011). As a consequence of that, China is risking having fewer workers than necessary to maintain the growth rate of GDP (*“Centre for Population and Development Studies”, Renmin University of China, reported to Financial Times*). The second example regards the Romanian community in Italy, an important community of foreigners. The fertility rate of Romanian women who live in Italy is remarkably lower than those who live in Romania (Istat, *“Birth and fertility among the resident population”, 2017*). There is no possible explanation other than the fertility rate is dependent on living wealth and social conditions. A closure of migration from developing countries to the UK will certainly contribute to a further reduction in the fertility rate and, in the long run, will lead to difficulties maintaining a high level of economic growth.

This will also have some negative consequences in the medium-long term. Difficulty in maintaining growth in GDP will reduce government budgets and increasing numbers of elderly and retired people will have costs in terms of public balance (Portes and Forte 2017). The risk is that there will be not quite enough workers to maintain pension schemes. Furthermore, the decline in productivity is another potential consequence of the gradual ageing of the population, and this is

another big risk in term of international competitiveness of UK. It is clear that the number of children per woman is higher in Africa, or South Asia, with respect to Europe. An increase in the “working population” is key for an equilibrate economic growth in the long run, following the Robert Solow model. A constant flow of workers to balance the falling fertility rate is needed, and a closure of borders goes on the opposite way.

What's next

The specific impact of these aforementioned factors will depend on what kind of rules the UK will apply to foreigners. The EU workers will become equal to extra-UE people, and this will raises question for current workers and their families. We know that a closed borders policy will, for sure, cause delays to migration flows, in terms of time and also for the characteristics of workers who come in UK. The falling value of the Pound that is currently being experienced also makes the UK less attractive than before.

These elements represent a big warning for British politicians.

In the case of Hard Brexit, British politicians will have to quickly organize a strategy to take in foreigners who already in work, along with a strategy to ensure a sufficient amount of workers for the next decades. If the closed borders propaganda prevails, we have to expect an acceleration of the decline in productivity due to a reduction of the highly skilled and an ageing population, with a risk of a decline in GDP growth, and consequently a high risk to international competitiveness and public budgets. These risks will not be observable in days but in decades, and governments will have to act now to avoid them otherwise they will be inevitable.

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