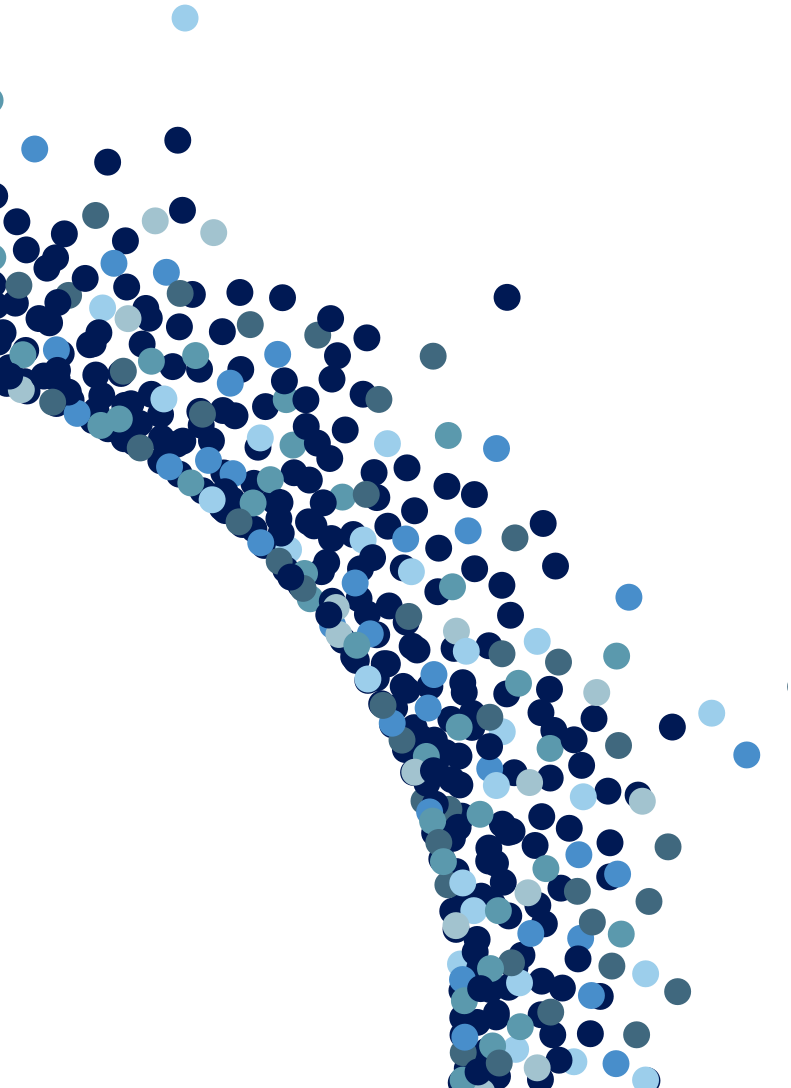
THE MIGRATION OBSERVATORY
AT THE UNIVERSITY OF OXFORD

COMMENTARY

The net migration bounce



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COMPAS
CENTRE ON MIGRATION, POLICY & SOCIETY

UNIVERSITY OF OXFORD

www.migrationobservatory.ox.ac.uk

The recent Migration Advisory Committee report into the new cap on labour immigration from outside the EU contains a very interesting graph (on page 165), which highlights an important issue for the net-migration debate: even if the Government manages to hit the elusive "tens of thousands" net migration target by 2015, net migration is unlikely to be sustained at that level because there will be a "bounce" caused by reduced emigration in the following years.

The net-migration "bounce effect" arises because many of the migrants currently coming to the UK leave again after a few years. This means that reducing inflows to the UK is also likely to lead to a reduction in future outflows. The result of this is that much of the short-term drop in net-migration as a result of lower inflows will be fleeting, because fewer migrants will subsequently leave.

So, if the Government wants the "tens of thousands" target to be sustainable in the long term it needs to look carefully at what will happen not just in 2015, but also at the years following that.

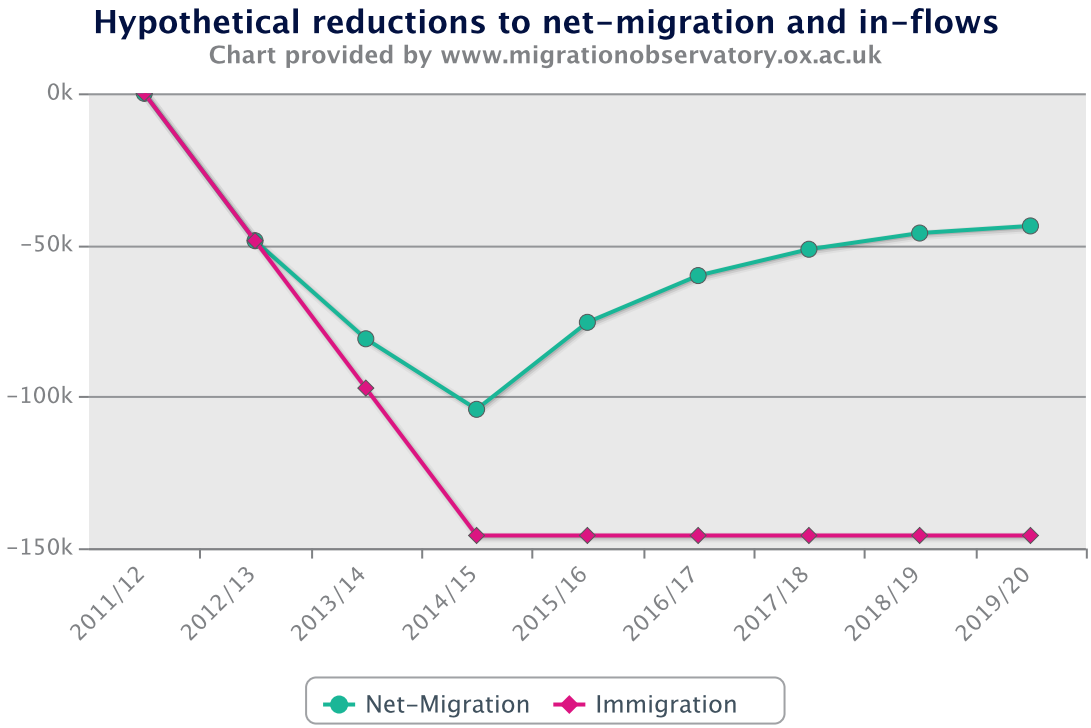
Figures 1 and 2 below look at how the short-term and longer-term effects of cutting inflows of different types of migrants might work out.

By "short-term effect" we mean the effect of reducing immigration on net-migration, without considering changes to emigration. By "long-term effect" we mean the combined effect of the initial reduction in inflows (which will reduce net-migration) and the subsequent reduction in outflows (which will increase net-migration). In our example, the long-term emigration effect begins in the year after the reductions in immigration are made, but increases with passing years.

Figure 1 models the short-term and long-term effects of a hypothetical reduction of immigration of 146,000 over three years (and assuming no more reductions in the subsequent years). This number is taken from the MAC's analysis (p.162 of MAC report, "scenario 2") of the reduction required to hit a target of 99,000 by 2015, without considering the effects of reduced emigration. The MAC's analysis was based on baseline net-migration of 245,000.

Figure 1 shows that, in this scenario, the long-term reduction in net-migration (i.e. taking account of lower emigration) will be less than half of the initial reduction achieved because of lower inflows.

Figure 1



Migration Observatory modelling based on MAC Limits report 2012 and Home Office Migrant Journey report 2010

Some types of migrants are much more likely to settle in the UK than others. This means that reducing the immigration of groups who are more likely to settle will have a bigger long-term impact on net migration.

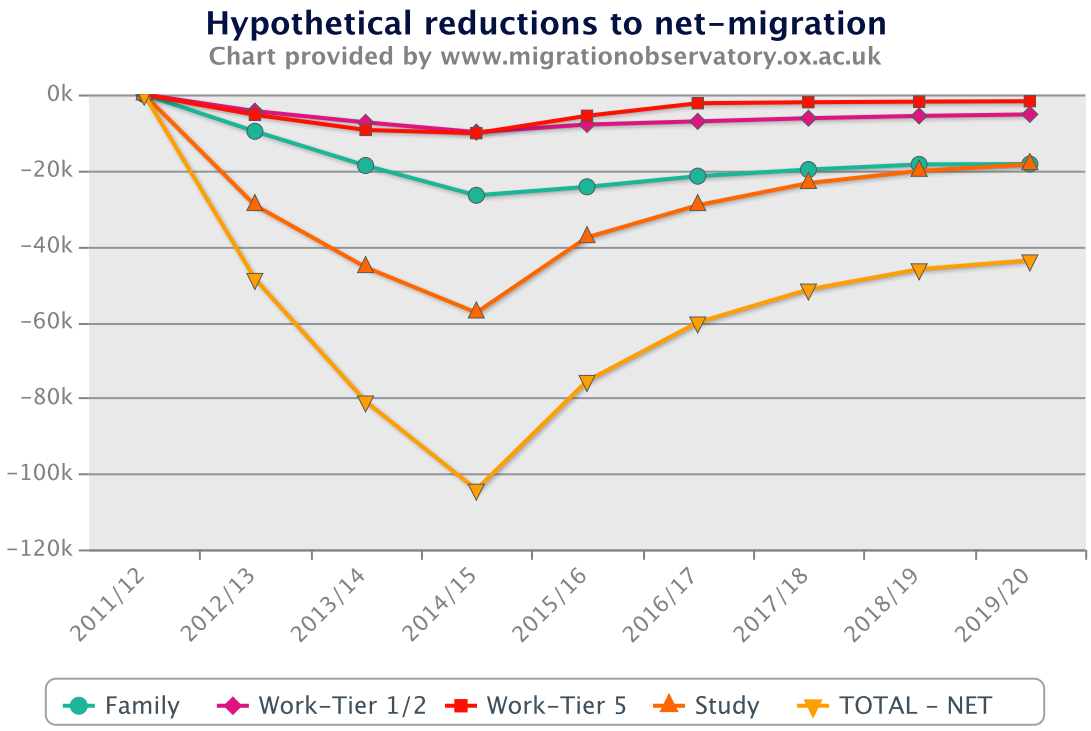
Figure 2 models the long-run effects of reducing the immigration of students, family members, Tier-2 labour migrants and Tier-5 labour migrants. In our example each type of immigration is reduced annually over three years. Following the MAC's analysis, it is assumed that the cuts to net migration for each group should be proportionate to the size of that group in non-EU inflows (i.e. 60% students, 20% family, and 20% work of which just over half is Tier 5 and just under half is Tiers 1 and 2). Therefore, the hypothetical reductions in our example are 29,200 per year for students; 9,700 per year for family; and 9,700 per year for workers, divided into 4,365 per year for Tier-2 workers and 5,335 per year for Tier-5 workers (the total cut again adds up to 146,000 over three years).

Data on emigration are very limited (read the Migration Observatory Top Ten Report). We model outflows of different migrant groups based on data from a cohort of non-EU migrants that entered the UK in 2004 (taken from the Home Office's Migrant Journey study). While these Home Office data are the best data available, they have clear limitations. For example, the Home Office study explores whether migrants still have legal permission to stay in the UK after a certain number of years, not whether they have actually left. If some of the migrants whose visas have expired remained illegally in the UK, our estimates of outflows based on the Migrant Journey data would need to be revised down.

It is also important to emphasise that a range of policies (e.g. greater selectivity at the point of entry and stricter settlement criteria for Tier 1 and 2 migrants, minimum income thresholds for the family route, the closure of the post-study route, etc.) have the potential to influence the outflow rates suggested by the Migrant Journey analysis.

Despite these important caveats, the data from the Home Office's Migrant Journey Report are still useful for the purpose of the theoretical example in this commentary.

Figure 2



Migration Observatory modelling based on MAC Limits report 2012 and Home Office Migrant Journey report 2010

Students, while by far the largest group, are proportionally unlikely to settle permanently – the Home Office Migrant Journey study showed that only 21% of students who arrived in 2004 still had leave to remain in 2009. As Figure 2 shows, this means that much of the impact of a cut in student numbers on net-migration would essentially evaporate in the long term as fewer students coming in will lead to fewer going out in subsequent years.

Also clear from Figure 2 is that the impact of reducing the number of family migrants coming to the UK – while smaller in the short term – is proportionally greater in the long term than cutting the number of students. This is because family migrants are considerably more likely to settle (63 per cent of those who came in 2004 were still in the UK in 2009).

The impact of reducing labour migrants, who also make up around 20% of non-EU migrants coming to the UK, on net migration is highly dependent on whether they are admitted under Tier 5 (only 11% of whom are estimated to remain after 5 years) or under Tiers 1 and 2 (40% of whom are estimated to remain after 5 years.) But the majority of labour migrants do tend to leave rather than stay permanently, meaning that cuts to labour immigration will also push down emigration in the long term.

These are hypothetical scenarios that make clear that any reduction in inflows will lead to a long-term net-migration bounce, and that the magnitude of the bounce varies across different groups depending on their settlement rates. These hypothetical scenarios do not aim to predict the specific magnitude of the bounce.

In conclusion, while hitting the net migration target of less than 100,000 will be hard enough (see the Migration Observatory Off Target commentary), the counterintuitive nature of the 'bounce effect' (i.e. lower emigration following reductions in immigration) means that keeping net-migration below that target will be even harder.

Generation of hypothetical scenarios for this commentary

1. The logic behind the modelling is that, in the long-run, a migrant who stays in Britain temporarily does not add to net migration. Therefore, in the long-run, reductions to net-migration only come from preventing entry of those migrants who would have stayed permanently in Britain. This means that the long-term effects on net-migration of reducing in-flows are equal only to the in-flow reduction multiplied by the proportion who would have been likely to stay.
2. The basis of the analysis is scenario 2 in the Migration Advisory Committee (MAC) 2012 Limits report, in which government aims for a reduction to net-migration from 245,000 to 99,000 over a three year period.
3. The estimates used the MAC's suggested composition of the net-migration reductions according to approximate proportions of in-flows made up by each main migrant group in International Passenger Survey (IPS): 60% students, 20% family, and 20% work. The work component was further disaggregated into 55% Tier 5 and 45% Tiers 1 and 2. This follows the MAC's suggested composition of required reductions to visas issued, and therefore assumes that that scaling factor between IPS and visas is the same for both categories of work, an assumption we cannot check because IPS does not distinguish between workers in different tiers.
4. This yields a hypothetical scenario of reducing immigration by 29,000 students, 9700 family migrants, 5335 Tier 5 labour migrants, and 4365 Tier 1 and 2 migrants each year for three consecutive years. The scenario assumes that immigration levels stay constant after the completion of the three years of cuts. In other words, we assume no further policy-based reductions to in-flows, and no increasing or decreasing trend in immigration after the third year of reductions.
5. Data from the Home Office study "The Migrant Journey" are used to model the effects of emigration. This study examines the immigration status of the cohort of 2004 non-EEA immigrants to the UK at the conclusion of each year through 2009. It does not provide direct information on how many people have emigrated, but it does show how many people still had legal permission to remain in the UK (and on what basis) at the end of each year through 2009.
6. To model the effects of the first year of hypothetical net migration reductions, it is assumed that initial reductions to net migration are as in (3) above. Then, it is assumed that the effect on net-migration in each subsequent year would be equal to the initial reduction in each given category, multiplied by each category's proportion of migrants who have legal permission to remain in the UK after that given number of years, according to Migrant Journey data.
7. For example, Migrant Journey data show that after two years (at the end of 2006), 59% of the 2004 Tier 1 and 2 visa cohort still had leave to remain in Britain. Thus, we calculate the reduction to net-migration two years out as: .59 * -4365 = -2575. This is in keeping with the logic in (1), in which long-run reductions to net-migration only results from preventing entry of immigrants who would have stayed in the UK permanently.
8. We repeat this set of calculations for three hypothetical migrant cohorts, arriving in 2012/13, 2013/14, and 2014/15.
9. We sum the results for each of the next eight years (giving the 2014/15 cohort five years to work through the system).
10. The estimations have several critical limitations. First, the scenarios assumes no further emigration for each cohort after five years in the country—potentially underestimating emigration, but since there are no comparable data for the sixth year and beyond, it is better to stop here rather than guess at possible emigration rates. On the other hand, the estimations also assume that no migrants overstay their visas, thus overestimating emigration, though, again, we lack the data to say how much this would change the results. Furthermore, policy changes from 2005 through to the present might have important effects on the rates at which migrants emigrate, both overall and within particular categories, but we lack the data to model these effects. Finally, the scenarios developed here are based on the MAC's "scenario 2" in its February 2012 "Limits on Migration" report, which is itself a hypothetical scenario rather than a prediction about the future or an evaluation of existing or proposed Government policies.

The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory's analysis involves experts from a wide range of disciplines and departments at the University of Oxford.

COMPAS

The Migration Observatory is based at the ESRC Centre on Migration, Policy and Society (COMPAS) at the University of Oxford. The mission of COMPAS is to conduct high quality research in order to develop theory and knowledge, inform policy-making and public debate, and engage users of research within the field of migration.
www.compas.ox.ac.uk

Press contact

Rob McNeil
Senior Media Analyst
robert.mcneil@compas.ox.ac.uk
+ 44 (0)1865 274568
+ 44 (0)7500 970081

Related Material

- Migration Advisory Committee Report - Limits on Migration
  www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/limit-tier2-settle/tier2-limit-report?view=Binary
- Migration Observatory report - The top ten problems in UK migration information
  www.migrationobservatory.ox.ac.uk/top-ten/overview
- Home Office Report - The Migrant Journey (2010)
  www.homeoffice.gov.uk/publications/science-research-statistics/research-statistics/immigration-asylum-research/horr43/
- Migration Observatory commentary - Off Target: Government policies are not on track to reducing net migration to the tens of thousands by 2015
  www.migrationobservatory.ox.ac.uk/commentary/target-government-policies-are-not-track-reducing-net-migration-tens-thousands-2015