Brexit and migration: Why do rocket scientists pick strawberries?

*Why do rocket scientists pick strawberries, asks **Nauro F Campos (Brunel University)**? He explains that there are many benefits to migration that are hard to gauge from an economic perspective. Central-Eastern European migrants, for example, who came to the UK in droves in 2004, are known to have significantly higher levels of schooling than that native workers. These migrants take on unskilled jobs because they know they are temporary, and usually enjoy rapid career progression, he argues.*

The long-awaited government report on the economic and social impact of European migration into the UK is now published. It is an insightful and authoritative study. It summarises a huge body of research. Further, it updates key results, identifies research gaps and addresses them: Background reports were commissioned on migration's productivity, well-being, training and fiscal impact at the aggregate, regional, firm, and worker levels.

In normal times, it would be a game changer. But these times are anything but normal. The warm academic reception notwithstanding, business leaders described it as "ignorant and elitist." This is perhaps because the report recommended lifting the cap on highly-skilled workers while maintaining the salary threshold of £30,000 per annum. Of course, this all starts back in 2004. This is a watershed moment when ten new countries joined the EU. Eight of these were Central and Eastern European former communist countries. For these eight, a seven-year transitional period was agreed. Ireland, the UK and Sweden waived these transitional arrangements and opened their labour markets, while the other twelve members decided to restrict access.

This led to a huge inflow of Central-Eastern European immigrants to the UK and Ireland and, to a lesser extent, Sweden. In the UK, the share of migrant workers in employment increased from less than 0.5% in 2004 to 4.5% in 2016 (2016 shares are larger only in Ireland and Austria.) This prompted a surge of economic research. Most studies show that the net benefits from these inflows are small but significant and positive; acknowledging that many of the benefits are intangible or very difficult to capture empirically. As the MAC report demonstrates, there is little robust econometric evidence supporting views such as that migration leads to increases in unemployment rates, or that lower unemployment rates attract more migrants, or that a higher share of migrants in a region lower wages, and/or that higher wages attract migrants.

Regarding the aggregate effects of immigration, Felbermayr, Hiller and Sala find that a 10% increase in the migrant stock leads to a per capita income gain of 2.2% for a large panel of countries. Aleksynska and Tritah evaluate which mechanisms are at work in OECD countries. They find that the positive effect of immigration on income works primarily through total factor productivity, rather than investment, employment or human capital.

Focusing explicitly on the UK experience, the MAC report does not mention two pieces I think are important. Hatton and Tani provide a pre-2004 benchmark. They examine net internal migration between eleven regions of Britain from 1982 to 2000 and find negative displacement effects. Yet they warn their magnitude and significance vary considerably and are stronger for southern regions.

Blanchflower and Shadforth provide one of the first studies of the immigration effects of the 2004 EU accession. They report evidence of significantly weaker wage growth for those groups of workers that compete directly with new arrivals. They document that the increasing numbers of foreign workers led also to "fear of unemployment" and help control wage pressure. Dustmann, Frattini and Preston qualify this finding by estimating wage effects of immigration along the distribution of native wages. They find that such downward pressure is restricted to the bottom percentiles but, thanks to increases in the upper parts of the distribution, the overall effect on native wages is positive. This is where the MAC report picks up in surveying the evidence.

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The other thing the report does not do (inter alia because it is not in its mandate) is to discuss which types of evidence we lack. I think that there are mainly four areas that need further work. We need time-series and counterfactual analysis to further shore up causality claims. The lack of a political economy literature on the role of the media in the UK migration debate is nothing short of puzzling. Finally, we should heed to non-economic research and explore specific features of Central-Eastern European migration to the UK that are difficult to quantify. I call this the "Why rocket scientists pick strawberries?" line of inquiry.

Time-series and synthetic counterfactual evidence remain missing pieces in this picture. Yet they are not central, they will not change existing results, but they can play a complementary role to the available evidence and in so doing further strengthen it. A key issue with respect to the labour market effects of immigration is endogeneity. Specifically, immigrants are more likely to choose destinations that offer good employment prospects. The possibility of such a bias lingering is worrisome.

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Why rocket scientists pick strawberries? My argument has two parts. The first is that these migrants arrive with significantly higher levels of schooling than that of native workers. The second is that migrants take on unskilled jobs because they know it is temporary. The "EU's temporary restrictions between 2004 and 2011" furthered creaming: the UK would get good migrants anyway because say of labour market flexibility and language, yet it received more skilled migrants thanks to restrictions elsewhere (especially Germany and Austria).

These migrants are highly educated: they come to the UK and invest a year or two in learning the language. They are promoted fast because they know how to learn (they've been in school longer than their UK co-workers) but they don't speak English. As soon as they become minimally fluent, they start climbing the ladder. They get promoted or they open their own business (growing up under communism gives them an enviable comparative advantage in dealing with paperwork and bureaucracy).

They become very visible very quickly, perhaps for their high mobility. Such "high-vis" has implications for understanding the vote for Brexit as it can potentially reconcile "perceptions of mass migration" with the reality of few migrants in certain areas. Their high rate of mobility is magnified thanks to mobile phones, the internet and low-cost airlines, transforming a decision that a few decades ago could correctly be painted as "irreversibly costly" into one better seen today as a "widely affordable experimentation." So, if they don't get promoted or open their own business, they move.

This all suggests that Central-Eastern European migrants coming into the UK are mostly "high-skilled" even if temporarily "picking strawberries" and thus earning less than the £30,000 annual threshold. There are empirical difficulties in assessing this hypothesis, chiefly among them re-classifying skills from Central-Eastern to Western Europe and from schooling into skills categories. Yet, such difficulties do not diminish its potential relevance.

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Where are we now? The MAC report does a great job at mapping the evidence. Further probing into the areas of research that we still lag (of which I identify and discuss a limited selection above) would help, among other things, to produce a more stimulating set of policy implications.

This post represents the views of the author and neither those of the LSE Brexit blog nor of the LSE.

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