



The **UK** in a **Changing Europe**

Free movement after Brexit
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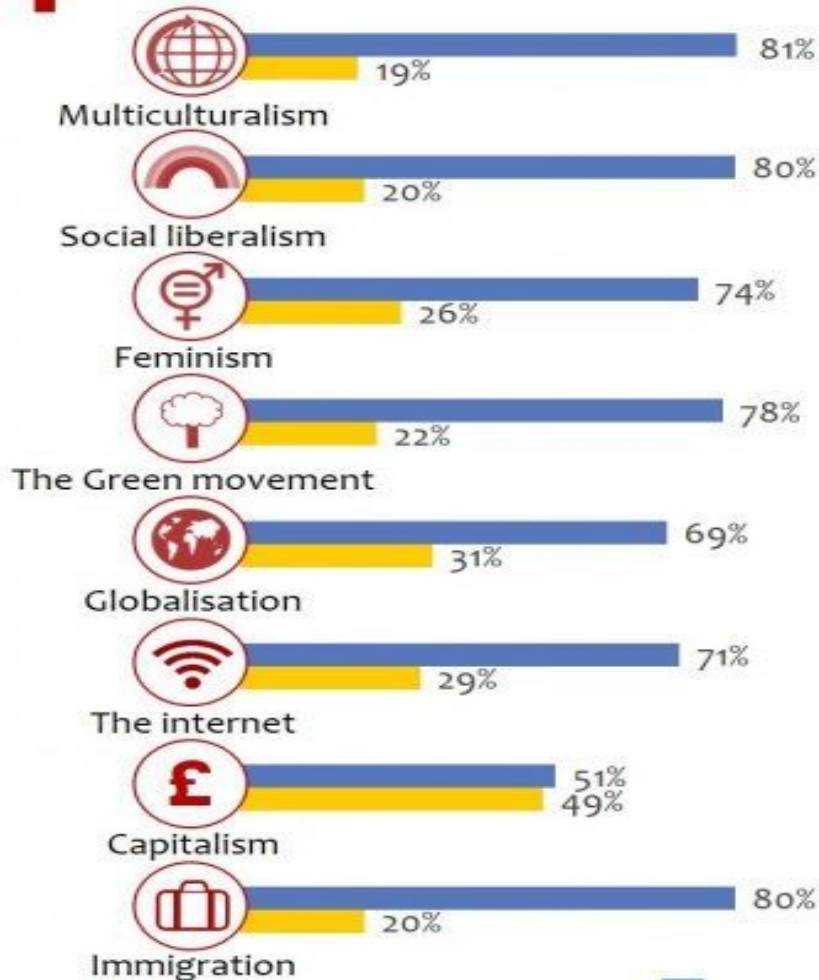
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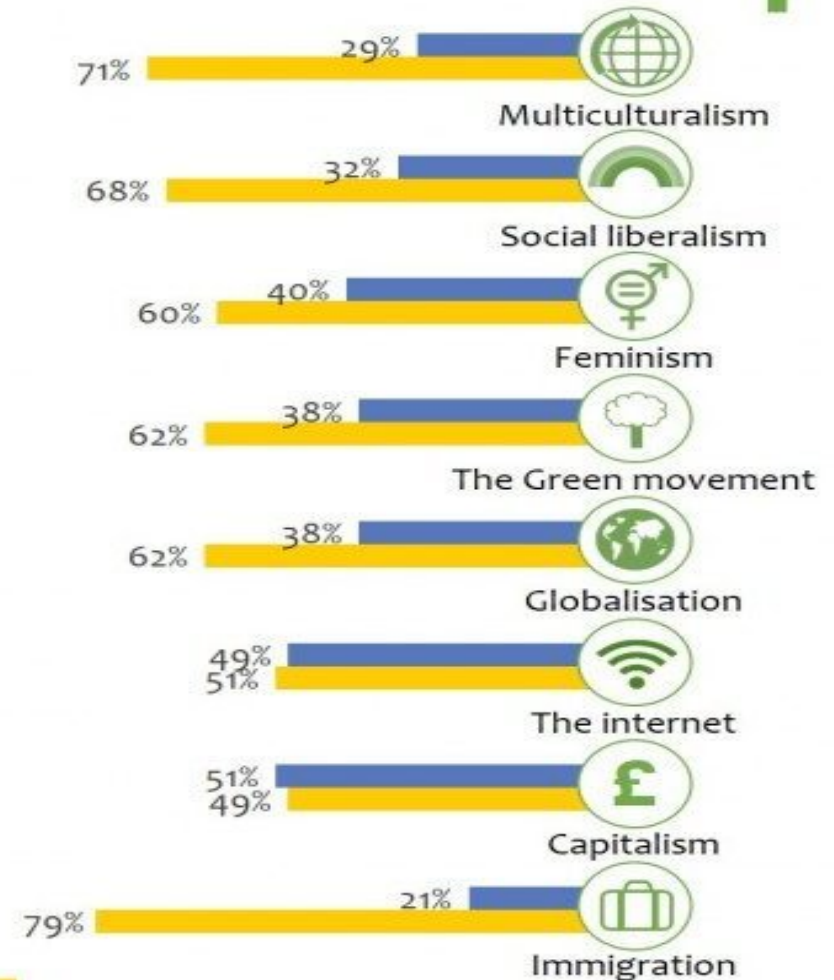


Do you think of each of the following as being a force for good, a force for ill, or a mixed-blessing?

How did the people who thought the following were a **force for ill** vote?

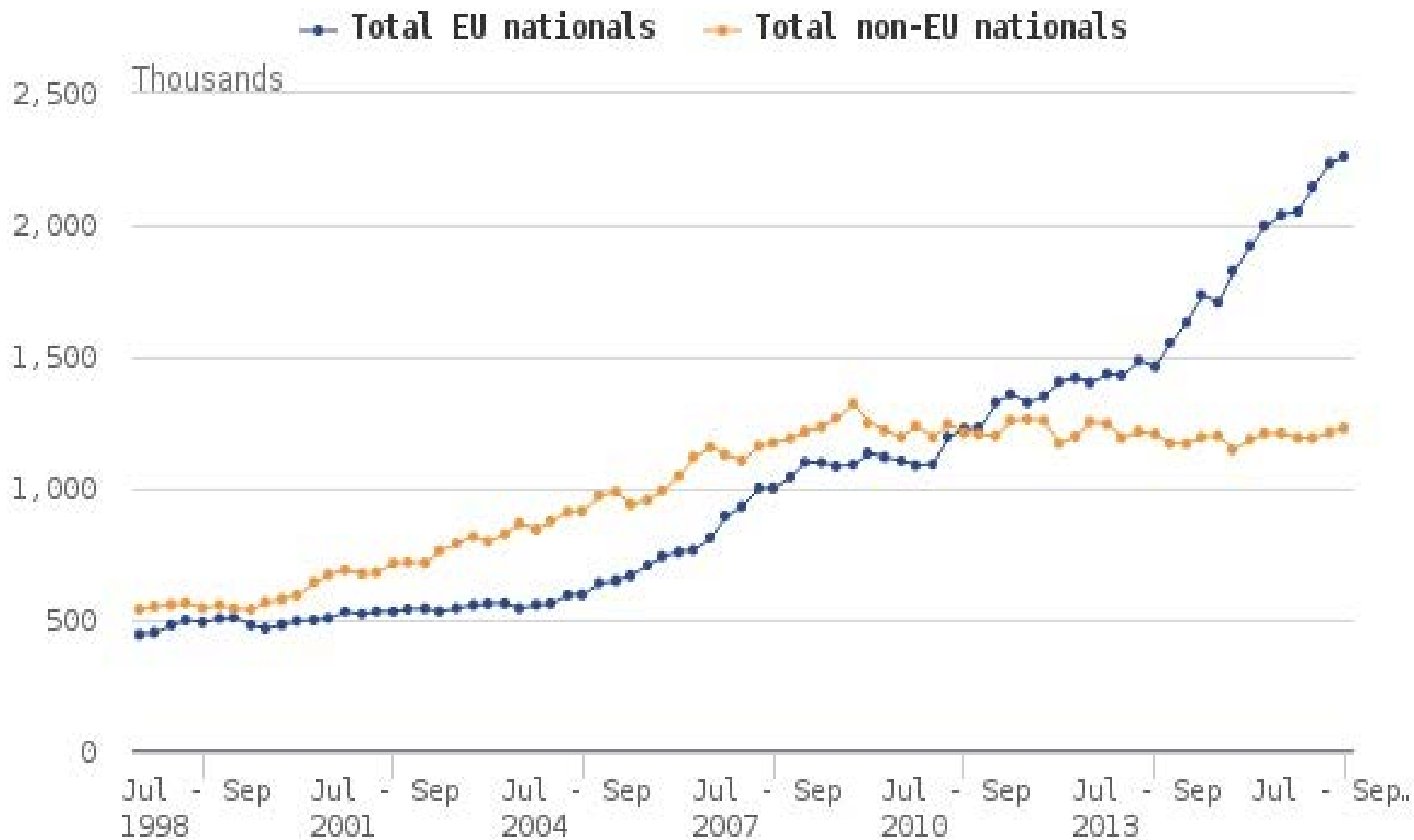


How did the people who thought the following were a **force for good** vote?



Leave Remain

Immigration and the UK labour market



Economic impacts of reducing EU migration

- Extensive literature on labour market impacts of EU migration to UK; impacts largely benign
- EU migrants mostly working age and in work, relatively well educated, but in lower paid jobs.
- Pressure on local services/congestion effects

Short term compositional impacts

Table 1.4: Alternative decomposition of pre-measures borrowing forecast changes

	£ billion				
	Forecast				
	2016-17	2017-18	2018-19	2019-20	2020-21
March forecast	55.5	38.8	21.4	-10.4	-11.0
Classification changes	0.5	0.4	0.5	6.4	4.1
March forecast post-classification change	56.0	39.2	21.9	-4.1	-6.9
Changes unrelated to the referendum result and exiting the EU	7.8	7.3	4.6	3.0	2.9
of which:					
Higher migration and GDP growth	-0.8	-1.9	-3.0	-4.4	-5.9
Weaker in-year receipts	4.5	4.6	4.8	5.0	5.3
Higher in-year spending	2.9	2.9	2.9	2.9	2.9
Other factors	1.2	1.7	-0.1	-0.6	0.6
November counterfactual	63.8	46.5	26.6	-1.1	-4.0
Changes related to the referendum result and exiting the EU	3.5	9.9	15.4	14.7	15.2
of which:					
Lower migration	0.8	1.9	3.0	4.4	5.9
Lower trend productivity growth	0.0	1.2	4.2	5.5	7.2
Cyclical slowdown	2.3	7.6	8.6	5.4	2.3
Higher inflation	0.9	2.7	2.3	2.0	2.2
Lower interest rates	-0.5	-1.1	-1.3	-1.6	-1.8
Other factors	0.0	-2.5	-1.5	-1.1	-0.6
November forecast pre-policy decisions	67.2	56.4	42.0	13.6	11.2
Total effect of Government decisions	0.9	2.5	4.5	8.4	9.6
November forecast	68.2	59.0	46.5	21.9	20.7

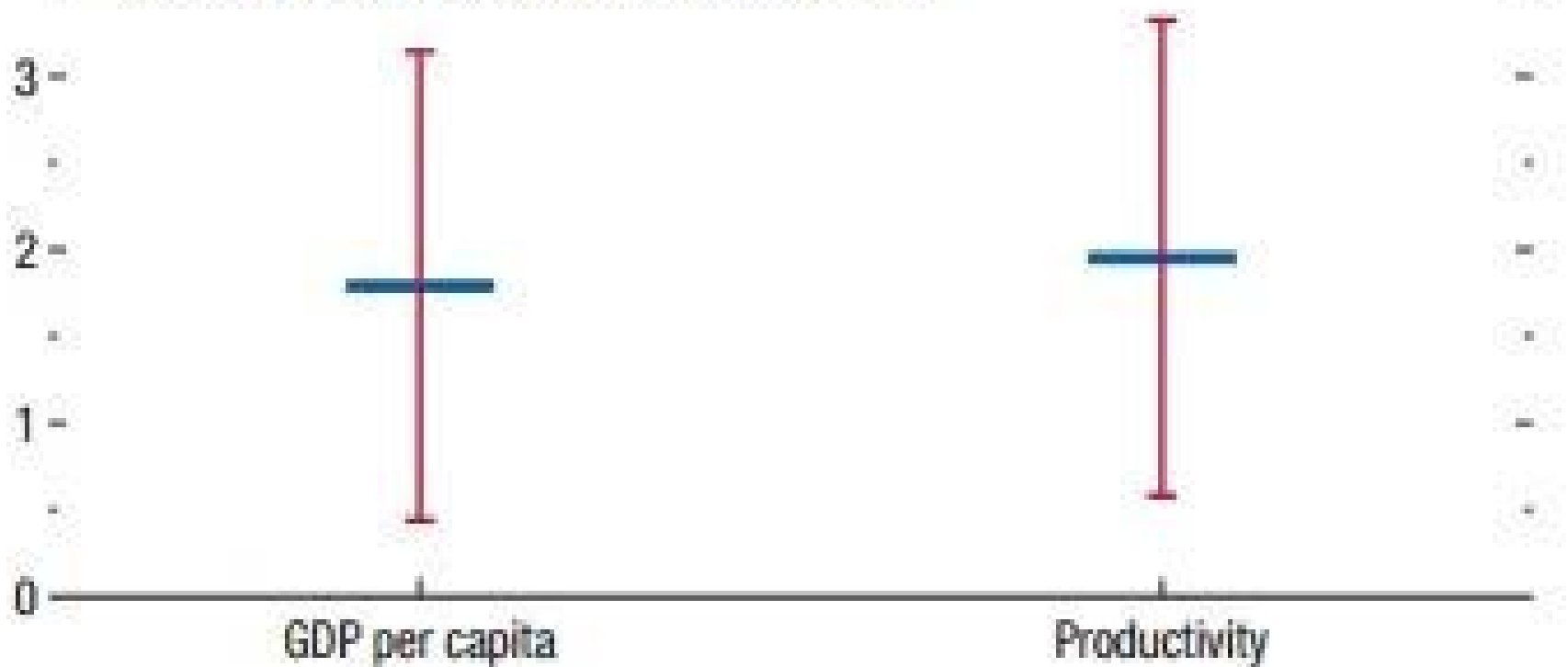
Note: This table uses the convention that a negative figure means a reduction in PSNB, i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.

Longer term macro: growth and productivity

Figure 4.21. Migration: Positive Longer-Term Growth Effects

4 - 1. Effect of Increase in Migration Share

(Percent per 1 percentage point increase)



Key policy choices

- Transitional provisions
- Parameters of a new system
- Is there anything to negotiate about?

Transitional issues for resident EU citizens

No easy way to identify eligibility: not just a questions of picking a cut-off date:

- No population register
- No comprehensive database of entries and exits

Possible options

- National Insurance numbers
- “Light-touch” version of existing process

Whatever approach is chose will be problematic:

- Long period of uncertainty: tough for individuals, bad for business
- Hard cases either side of the line
- Resource implications

Parameters of a new system

Spectrum of options (running from “hard” to “soft” Brexit)

- non-discrimination/equalisation
- light-touch (eg high overall quota or “emergency brake” + benefit restrictions)
- Intermediate options: quotas + other restrictions, sector-specific schemes

Also overall choice between “liberal” & “restrictive”/“open” and “closed”

Ending free movement

- Ending free movement is **not** about border control!
- Almost any plausible outcome will:
 - Reduce flows of both skilled and unskilled workers
 - Increase regulatory burdens on business
 - Increase bureaucracy/size of the state
 - Increase illegal working
- Economic damage will depend on how “closed” new system is



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