

# WORLD ECONOMICS

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## DEBATE

### Does Britain Need More Immigrants?

*Nigel Harris vs. David Coleman*

#### **YES: Nigel Harris**

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Let me start by saying that the debate over immigration in Britain often includes two different discussions:<sup>1</sup>

1. The desirable size of population of the country, and hence the acceptable size of immigration or emigration. The ‘population’ of concern here is assumed to be settled, consisting of citizens with given rights and obligations, within a *political* framework that constitutes national sovereignty. The target population is often justified in terms of the availability of public services, particularly in the largest concentration of population, in the south-east region; that is, in terms of public expenditure and collective consumption. Other issues—for example, the desirable physical density of the settled population—are also sometimes included. In the 1960s, there was a comparable discussion over the optimal population size of a city.<sup>2</sup> However, as with the case of cities, the criteria by which an optimal size or

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<sup>1</sup> In the interests of simplicity, I have: (1) omitted most of the references to the text; (2) taken the UK case as the immediate example, even though the arguments have wider application. I am most grateful to Alasdair McAuley (University of Essex) for his careful review of this introduction. The errors are entirely my own.

<sup>2</sup> One of the more ambitious attempts here was: Stanford Research Institute, Delhi School of Planning and Hyderabad Small Industry Extension Training Institute (1968).

sizes of population for a country might be selected are not at all clear—whether, say, the UK population should be 20 million or 100 million. The discussion seems rather to take population size as surrogate for many other things (a particular way of life, population of a particular descent, etc.).

2. The size of labour force required now and in the future to produce an output of goods and services capable of sustaining the standard of living of the inhabitants and the pursuit of other purposes. The workers here may or may not be settled. The discussion concerns the demographic expansion or contraction of those in the active age groups and the composition of their skills, as mediated by factors reducing those available for work—those in education or training, the sick or disabled, housewives, early retirements or withdrawals ('discouraged' workers), the unemployed, emigration, the geographical distribution of workers, etc. Other elements are assumed—the substitution of imports for domestically produced goods in tradable sectors, the substitution of capital for labour, etc. The conclusions are by no means easy to reach, but the criteria to judge outcomes are more robust.

We are concerned here largely with the second discussion, even though past experience shows the translation of some of the mobile workers to immobile citizens, so the two issues may overlap. We start with some general observations on migration and emerging labour market trends in the developed countries, followed by some discussion of the short-term labour market picture in Britain. Next, we consider some of the weaknesses in the present regime of migration control, followed by some conclusions.

## **Economics and migration**

The theory of international trade argues that great benefits arise from exchanges between countries with different factor endowments, with different relative costs of production. Thus, trade in goods, like the migration of capital or labour, yields disproportionate gains in welfare. In the present migration of complementary labour between developing countries (with an abundance of low-skilled labour) and developed ones (with an abundance of highly skilled), migration controls therefore impose major costs on both participants. Studies of the potential economic gains from

increased migration suggest that quite small migratory movements yield major returns.<sup>3</sup>

The numbers who migrate internationally are increasing but are still very small—perhaps 175–200 million out of a world population of around 6 billion—suggesting the normal relative immobility of populations. Nor does unrestricted migration necessarily encourage large-scale movement. Free migration is the condition prevailing normally within countries (and for example, within the European Union from 1992, or within the British Empire/Commonwealth before the 1962 Commonwealth Immigration Act).

However, migration has become of current public importance because of the peculiar emerging features of labour demand in the OECD group. On the one hand, over the next half century, the populations of Europe and Japan are scheduled to face a greater or lesser decline, but with a much more radical decline in the size of the workforce (affecting particularly the younger age groups). At the same time, increasing education and training, and the decline in lifetime working, is reducing the available work-time and generating significant scarcities in lower-skilled occupations, reflected in rising relative wages and costs. Indeed, the higher the proportion of the better educated in Western labour forces, the higher the proportion of lesser educated in legal and illegal immigration—a trend best identified in the US case (see Borjas, 1999), but common to many in the OECD group.

As a result of demographic trends, over the next half century much of the world's labour force will be redistributed towards developing countries, and this, with the virtually unimpeded mobility of capital, suggests the redistribution of a major part of the tradable sectors of the world economy. However, this will leave an important core of non-tradable services in the developed countries, the precondition for retaining their continuing role in the provision of services and in advanced technology, research and training. With ageing, the demand for labour-intensive services (particularly in the caring professions, personal services, etc.) is likely to grow

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<sup>3</sup> Hamilton and Whalley (1984), on 1977 data, suggest, on different assumptions, gains to world gross domestic product (then US\$7.8 trillion) ranging from \$4.7 trillion to \$16 trillion as the result of lifting all immigration restrictions. Recent reworking of more up to date figures confirm these outcomes (Moses and Letnes, 2002; Iregui, 2002). UNDP (1992: 57–58) presents a different calculation of more limited changes. Walmsley and Winters (2001) present calculations that worker migration to employment in services in developed countries, equal to 3% of the developed countries' labour force, would yield benefits of US\$156 billion (shared between developed and developing countries), compared to the estimated \$104 billion generated by a successful outcome to the Doha trade round (and the roughly \$55 billion granted in aid to developing countries by the OECD group).

disproportionately, at just the time when the workforce is contracting—in the British case, by some 2 million in the next 25 years.<sup>4</sup> Wages can thus be expected to rise, tending to make the provision of such services increasingly unaffordable for the bulk of the aged (the better off who could afford such services can also afford to migrate to developing countries, a trend already occurring and in some cases, including the not so better off). Without changes in the immigration regime, the wage gap between developed and developing countries will become progressively larger. This would raise the incentive to migrate illegally; to seek to reduce illegal migration would require much greater expenditure without, in an open economy, necessarily being effective.

The problem for public policy is thus how to meet emerging long-term unfilled vacancies at manageable costs, and, if this is to come in part or whole from migration, how to design a long-term system that will allow the reconciliation of the divergent interests at stake.

## **The immediate British case**

Some of the long-term problems seem to have emerged with unexpected speed in a number of developed countries, producing in some the coincidence of high long-term unemployment and sectors of severe labour scarcity (high vacancies). This may partly explain the radical amendments to the old immigration regime, particularly in the lower-skilled sectors, although most public prominence has been given to the competitive recruitment of the highly skilled (particularly in information technology). Recruiting the highly skilled from developing countries on a permanent basis minimises the economic benefits of immigration, reduces the capacity of developing countries to compete in advanced technology, and imposes on them the highest costs.

In the British case, 2002 saw the largest recorded size of the labour force (27.8 million workers or 75% of the working age population) and the lowest official unemployment rate for a quarter of a century, a moment in the economic cycle of particular stress in labour supply. Measuring labour scarcity is difficult, particularly where wages are politically negotiated, but, in scattered press reports of late 2002, employers reported severe shortages

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<sup>4</sup> Home Office (2001): 13.

in the public sector—particularly the National Health Service, teaching (both school and university), the armed forces, and local government. In addition, grave shortages were reported in construction (particularly plumbers, bricklayers, electricians), for garage service mechanics, road haulage drivers, agricultural workers, catering, etc. In the case of plumbers, anecdotal evidence suggests rising wages are now attracting more new entrants. However, elsewhere the short-term shortages conceal longer-term problems of a failure to recruit sufficient new entrants—despite relatively high wages—shown in the rising average age of the relevant workforce with high scheduled retirement rates about to reduce the numbers even further (particularly true of doctors, nurses, haulage drivers, etc.).

The damage here is not restricted to the occupations concerned. A shortage of school cleaners affects the capacity of teachers to teach; of hospital porters, canteen and laundry workers, the productivity of doctors and nurses in treating their patients. The shortage of haulage drivers affects the entire economy. The knock-on effects are not easily quantifiable, but may be more important than the direct effects of shortages. Indeed, the shortage of such complementary workers may raise domestic unemployment.<sup>5</sup>

The government has responded in a number of ways. Current schemes to appoint lower-qualified assistants, it is hoped, will allow teachers to handle larger numbers of pupils, doctors to handle more patients, etc. In the case of health professionals—crucial for an ageing population—the foreign-born already supply a quarter of the complement, and the government has been issuing the largest number of work permits in this field. In the case of seasonal agriculture, harvesting crops that require a large labour force has been a problem, and the government has responded by increasing the number of temporary worker permits. Other categories of temporary worker—without being specifically tied to one job—have also been increased.

However, this is very much an ad hoc procedure and one that is bureaucratic and hence full of delays and higher costs. Furthermore, it does not address problems where there are no clear employers. The role of the

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<sup>5</sup> Home Office (2001) reports that “in some cases” an increase in immigrant workers leads to a nearly 2% increase in non-immigrant wages and higher non-immigrant employment. Presumably, the reverse proposition—a decline in immigrant workers—would produce the opposite outcome.

foreign-born in sustaining city newsagents, corner shops and small retail outlets is well-known through observation. Less well observed is the saving of village shops and small-town retail outlets. Thus immigration policy may have some bearing on the so-called crisis of the rural economy, even though it does not loom large in rural policy.

At the time of writing, the economy may be entering recession (and the severe difficulties in the information technology sector have already led the government to cut its proposed number of work permits in this field). As a result, many of these shortages may be relieved. With any revival of growth, however, the problems will return and grow worse in the medium term.

Are there alternative sources of labour within Britain which would make migrants unnecessary? For example, it is well known that the present disability and pension arrangements have tended to discourage work among older males (certainly in comparison to the US and Japan), and reforms—not to mention current trends—might reverse this. Much government effort has been directed at increasing a return to work in other groups without impressive results. The issue is complicated since it concerns not the number of people theoretically available, but the cost of inducing them to return to work—in terms of wages, the quality of the work, its adjustment to the older worker, etc.—and the implication of these costs for the affordability of services. In agriculture, it is notorious that foreign workers are preferred not because they cost less but because they work harder and more reliably: the expectations of native-born workers are, it seems, skewed of the nature of labour demand. What kind of return to work would be required to induce an adequate supply of native-born workers is unclear, as is the result of this in terms of the prices of agricultural produce compared to imports.

Some of the same observations cover substituting capital for labour. This may be technically possible in many fields (and is indeed occurring), but how far it is economic to do so, and with what resultant consumer prices, is unclear. In the caring professions, some substitution is possible, but it seems a core, including provision for the poorest of the aged, can hardly be automated.

In practice, it seems more likely that unauthorised migration will continue to meet much of the requirements and hence the black economy will expand. This possibility is enhanced by the continued efforts of the government to facilitate cross-border movements in the interests of the

economy as a whole—facilitated by the long-term historic decline in transport costs. While the popular press remains preoccupied by people attempting to cross borders illegally (and the Channel provides an historically evocative location for this theatre), people who enter the country legally (as tourists, students, businessmen) but then undertake paid work, would seem to be a much more promising source of undocumented labour. Nor is it likely that effective internal regulation and apprehension can be put in place at an acceptable political—and financial—price.

In sum, it seems that, although there are ways to expand the domestic labour supply, increased migrant workers would be the most cost-effective method of sustaining affordable services. However, there are severe problems in the old migration control regime which need to be addressed if this remedy is to be employed.

## Migration and migration controls

In general, without migration controls, the propensity for a migrant to settle in the destination country seems to vary with the level of skill. The measures of the propensity to settle are remittance flows and family formation. The higher the level of skill, the greater the tendency to settle, to take or form a family in the destination country, and the lower the proportion of income remitted to the country of origin. Lower-skilled migrants tend to work abroad without their families in order to remit a larger proportion of their earnings to their countries of origin: in essence they are temporarily working abroad.

Immigration controls unintentionally break this tendency by making lower-skilled workers' access to work contingent upon settlement (a tendency that may be enhanced by social security systems which restrict access to reasonably long-term residents). The tighter the controls on migration into a country—the higher the costs of reaching the destination—the greater the incentive to settle, to convert the temporary migrant into a permanent immigrant. We have an excellent example of this in the increasingly tight control of the US southern border since 1986, compelling Mexican seasonal and other temporary workers to settle in the country and either bring families with them or create them once they have arrived.<sup>6</sup>

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<sup>6</sup> See Cornelius (2001) and Massey *et al.* (2002).

Settlement ultimately ends much of the economic linkage between the migrant and his or her home country. Since remittance flows from workers abroad are an increasingly significant item in the external earnings of many developing countries, this is an issue of some significance to them. Furthermore, the enhancement of the human capital of migrants as the result of migration is lost unless the migrant returns, and although not easily quantifiable, this may be of greater economic significance than remittance payments. Of course, as noted earlier, the settlement of the highly-skilled migrant is much more economically damaging to the country of origin (the ‘brain drain’) and here, the case for making migration temporary is, from the point of view of developing countries, much greater.

A further disadvantage of making access to work contingent on settlement may arise in the second generation. Migrants give flexibility to the labour force, and in some cases, ease the contraction of declining sectors (as in the case of the textile industry in parts of northern England and other activities in some inner city areas), allowing the native born to evacuate through retirement relatively painlessly. However, what enhances flexibility in the first generation, may enhance rigidity in the second. The children of immigrants grow up with the same expectations as the children of non-immigrants, low-skilled and in areas of deprivation. It is striking that in the 1960s, immigrants tended to have lower rates of unemployment than the native-born, whereas now they and their children have significantly higher ones. Presumably, the social security system, the accumulation of household assets (particularly housing) as well as broader ‘location-specific insider advantages’<sup>7</sup> discourage mobility (as with the children of non-immigrants).

Furthermore, controls—at a politically acceptable cost—can frustrate the operation of the labour market only on the margins. Unauthorised migration continues to bring flexibility to big city economies, to the benefit of us all, albeit at high and rising cost both to the public authorities and the migrants themselves. The incentive to migrate is increased by the fact that even low earnings in a developed economy are immensely magnified in value in a developing country. A poorly paid worker by the standards of the destination country becomes relatively rich if his or her income can be

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<sup>7</sup> Fischer *et al.* (2000).

spent in the country of origin. However, this depends on the location of work and of residence being in separate countries. Immigration controls make it very much more difficult to do this, although it is of interest that many migrants retire to their original country. (Historically, gross migration has grown much more than net migration—Hatton and Williamson, 2002.)

However, separate from issues of migration control, the cumulative improvements in the quality of life in many developing countries—for example, in India, China, south-east Asia, Latin America, if not in much of Africa—are making them much less unattractive places for higher-skilled workers to live. Indeed, at lower incomes but very much lower costs of living, the availability of support workers in work and in the home, could make the standard of living superior to many developed countries. There are suggestions that even before the current slump in the information technology industry, Indian software programmers spent on average five years only in Silicon Valley. This may be misleading, since the trend is possibly not towards settlement in either India or the United States, but movement between homes and workplaces in several countries (with perhaps other locations providing for the education of their children). Such workers, like their lower-skilled colleagues who move between different locations for unskilled work, are likely to have little interest in incurring what may be seen as the political liabilities of settlement. National immigration regimes are ill-equipped to manage such transnational migration.

The continued historic decline in transport costs (relative to incomes) facilitates returns and frequent circulation, so temporary migration may be becoming the norm. Hence, reducing or ending migration controls could lead to less net immigration. The trend to return would be strengthened if source governments continued their efforts to attract emigrants home and provided an hospitable environment for work.

## Conclusions

In sum, the emerging problems of labour supply in Britain—as elsewhere in the developed countries—suggest the need to move towards an easing of the existing methods of immigration control, including drawing illegal migration into the legal system. However, it is probably politically impossible in the developed countries at present to do this for permanent immigration. Furthermore, the interests of developing countries suggest the

need to make migration as nearly as possible temporary so that remittances are sustained and enhanced human capital returns to source. This can cover migration for three months (in seasonal work in agriculture, tourism, etc.) up to five years for the highly skilled, with some reasonable assurance of return work periods in some cases. Given low transport costs, it can also cover job-specific migration (e.g. for cleaning services, construction projects, etc.).

However, the present system of fixed quotas for given skills or activities seems as clumsy, costly and economically damaging as quotas in trade. Governments are no more able to predict labour demand than they can demand for imports. Furthermore, the system shields employers from bearing the risks of their recruitment. Employers, within a framework of government supervision, should be able to recruit workers as they are required, being responsible for repatriation at the end of the work period.

Migration between countries for work is an excellent mechanism for enhancing the skills of the world workforce, for broadening cultural horizons and for stimulating the redistribution of resources, to the benefit of both developing and developed countries. However, the organisation of the nation-state, with an assumed largely immobile population (the clear definition of which is the basis for the exercise of representative institutions and of sovereignty), is even more ill-equipped to deal with the emergence of a world workforce than it is to deal with relatively free trade and the international mobility of capital. The politics of the issue perhaps makes it impossible for any one country to do more than tinker with the national system, adjusting immigration regulations to fill gaps in the labour force on an ad hoc basis, with all the difficulties of consistency, bureaucracy and high costs that that entails. However, it is important to begin to consider both the longer-term trends and, in particular, in the developed countries, the emerging problem of the aged and the poor and the provision of affordable labour-intensive services. But there also needs to be an international initiative to bring some order to the emerging global labour market and to restore some manageability to the asylum system.

## Does Britain Need More Immigrants? ...

### **NO: David Coleman**

Professor David Coleman has been the Reader in Demography at Oxford University since 1996. Between 1985 and 1987 he was a Special Adviser for the British government.

Nigel Harris has given us a thoughtful and fair view of the general economic benefits of migration. His comments, on a broad canvas, range in scale from the growth in global GDP supposed to accrue from the free movement of labour down to more micro-economic considerations relating to the UK scene. There is some common ground between us. For example, perhaps everyone would agree that some level of migration between open societies participating in a global exchange of trade and other contacts is normal, although I would argue that that does not imply that it should be demographically imbalanced; indeed, any other than a temporary imbalance suggests some problem in either the sending or the receiving society. Naturally, however, I disagree with many of Nigel Harris's other propositions, which I will approach roughly in the order in which he has presented them.

### **General considerations**

Nigel Harris correctly identifies 'optimum population' as a broad background consideration in these debates and is right in stating that it is difficult to define, although some progress has been made on the concept of a sustainable ecological 'footprint'. However, the only two official analyses of the economic and social consequences of population change in Britain, the Royal Commission Report (1949) and the Population Panel (1973), were not enthusiastic about further population growth and concluded that an end to growth would help the solution of a number of economic and social problems. The Select Committee on Science and Technology (1971) was vehemently opposed to further population growth. Similar conclusions, reached through partly different arguments, were reached by official enquiries in the United States (Commission on Population Growth, 1972) and the Netherlands (see van de Breckel, 1994). Many of these arguments in favour of population stabilisation remain valid today

when UK government policy is promoting renewed population growth through mass migration.

As far as the economy is concerned, a more accessible argument relates, as Harris suggests, to the size—relative and absolute—of the labour force and the effect which migration may have on it. But the number of bodies of nominal working age arriving through immigration is only a relatively small part of the argument. Most immigrants to Western Europe and to the UK in recent decades have not arrived for purposes of work. During many years in the 1990s, as many people left the UK for work reasons as entered it. In recent decades, the size of the actual labour force has been affected more by many non-demographic factors than by population change. Workforce participation rates (especially of women), productivity per worker, and conventional years of entry to and exit from the workforce have powerfully affected the actual size of the labour force and will continue to do so. Output, which is what matters, is determined also by skills, labour relations and technology. Net immigration of actual workers has been relatively trivial overall. In the UK in 1998, net inflow of foreign workers to the UK was 50,000—0.2% of the workforce (Dobson *et al.*, 2001)—only a fraction of the total net inflow of foreign immigrants.

## Global economics

Nigel Harris points to research purporting to show that world GDP could more than double if free movement were permitted and that “even small initial changes in international migration controls could produce significant economic gains”. As the authors of one of the sources quoted by Harris admit, these calculations are “highly speculative and rely on a number of contentious assumptions” and face “probably insurmountable” obstacles (Moses and Letnes, 2002, p.1). One of many “contentious assumptions” is that migrants will actually be employed and productive. As we will see below, in reality this is depressingly often not the case. And one of many reasons why these global fantasies cannot descend to Earth is the gigantic capital investment required to enable the huge flows of immigrants to produce those remarkable economic results. The mass migrants from the poor countries will not be bringing the cash with them. The enormous infrastructure costs and resource demands to cope with the consequent population increases in industrial countries do not enter into the

equations. And we are not told where the projected 4 billion increase in the population of the sending countries over the next 50 years is supposed to go.

These speculations are in any case irrelevant to the UK case. The imagined increase in global GDP per head accrues entirely to third world countries, to some extent at the expense of first world incomes. The latter are of course equalised downwards to global averages, reducing the living standards of the receiving population and greatly reducing the return to capital in poorer areas (Moses and Letnes, 2002, Table 5), thus destroying the logic of investing in poor countries. They also ignore the effects on environment and the huge costs of the civil strife likely to arise in receiving countries, and the denudation of third world countries of talented manpower, already a considerable problem.

The statement by Nigel Harris (page 59) that unrestricted migration does not necessarily provoke high migration is beside the point. If it doesn't, then the supposed benefits of open borders will not accrue. In the EU case, open borders co-exist with low intra-EU movement. This is hardly surprising: admission of Spain, Greece and Portugal to the EU and to its free market of labour was contingent on economic convergence and free movement was additionally delayed for some years after their admission. In the UK case, initial free movement from the Commonwealth began to be restricted almost as soon as the opportunities for movement from outside Europe began to be recognised and exploited, albeit the control has had indifferent results.

Only the short-term interests of employers will be gratified by the attribution of the 'economic benefit' from migration to the low wages which follow from it. Most electorates and most workers might reasonably take a different view. So would a more prudent longer-term economic opinion. We should not share Nigel Harris's regret (p. 59) at the increasing skill level in Western societies, or the rising relative wages which it promotes. From any viewpoint of welfare and the narrowing of social divisions, such increases are to be welcomed, especially as they imply a rise in living standards for the poorest.

Rising wages promote the automation of simple functions which can be automated. Those functions where productivity cannot be increased by technology should be abandoned or exported abroad to give employment there. If essential and incapable of being substituted by capital, a rise in

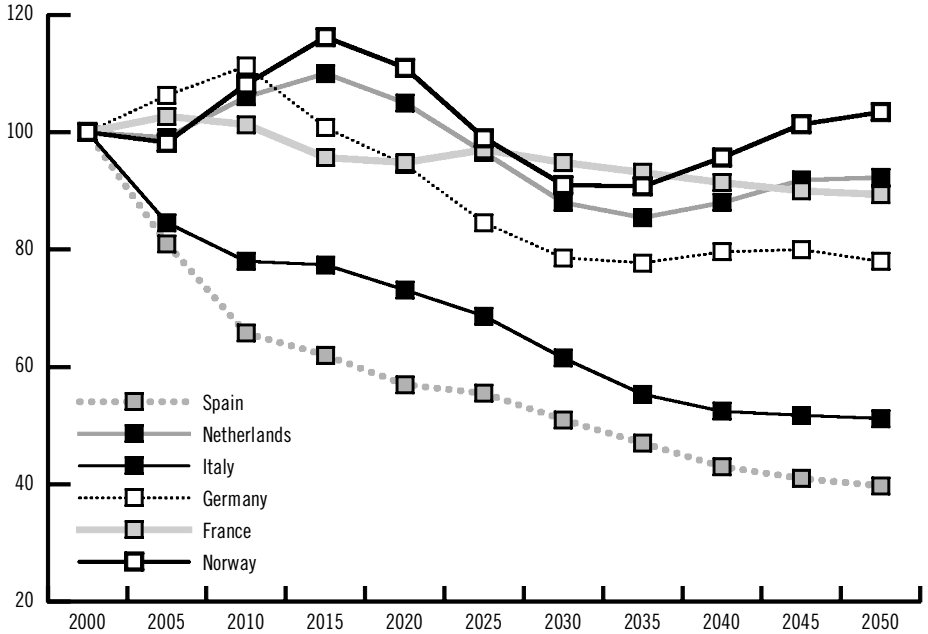
the wages—and therefore in the social standing and dignity of workers—is necessary and welcome: an increase in standards of living all round. It is only where employers are permitted to evade these choices by importing immigrant labour which will (temporarily) accept a lower standard of living to fill these functions, that the low wages and status continues in those occupations. Then the native workforce increasingly shuns such work precisely because they have become ‘immigrant’ occupations—a problem recognised since the 1970s (Bohning, 1972). Nowhere but in the field of migration do the demands of employers enjoy such unqualified approval from liberal commentators who are normally alert to the abuses committed by unregulated capitalism.

### **Workforce growth and decline**

We should not be intimidated by stories about the current or imminent decline in the size of the population of working age. These tend to be exaggerated—‘projected’ becomes ‘now’. To some extent they miss the point: workforce and productivity are not just defined by demography. The population of working age (not the same as the workforce) continues to increase in many Western countries, and the West cannot be regarded as an homogeneous entity for this purpose. Projections of the population of working age by the United Nations and other sources show that the numbers of potential workers will increase for another ten years in the EU and indefinitely in the US, partly of course as result of current levels of immigration as well as natural increase. In the UK, the latest projections from the Government Actuary’s Department envisage a population of nominal working age (assume 15–64) increasing from 38.4 million in 2001, to 39.4 million in 2026 and then declining slightly to 38.3 million, about today’s figure, by 2051. Plenty of time, it would seem, to plan for a fall of 100,000 (<http://www.gad.gov.uk/population/2001/uk/wuk015y.xls>).

It is true that numbers in the potential working age-groups are likely to decline quite soon in countries which have suffered low fertility for some years, such as Italy, Spain and Greece, but much less in countries such as Norway and the Netherlands where fertility has remained relatively higher. These UN projections do not take into account the increases in the birth rates in Denmark, the Netherlands, and especially in France, in recent years. Projections of the working age entry population, say 20–24,

**Figure 1: Projection of 20–24-year-old population, selected countries, 2000–2050 (2000 = 100)**



Source: United Nations

highlight these differences in outlook (Figure 1), with relatively constant numbers in NW Europe and longer-term decline elsewhere.

If fertility remains below the replacement rate, then population and population of working age will eventually decline without migration. But a lot can happen in 25 years.

Proposals to ‘solve’ this supposed general labour shortage by means of immigration are part of a wider misunderstanding that modern population ageing can be solved by mass migration. Nigel Harris is too well informed to fall for this popular fallacy, although some of the references that he cites toy with the idea. Only gigantic and increasing immigration can preserve age-structures of modern populations. In the UK, satisfying this goal would ‘require’ up to 5 million additional migrants every year after mid-century, taking the population to 300 million and beyond. In the extreme case of Korea, all the world’s population would have to migrate there in

order to preserve its current age-structure up to 2050 (United Nations, 2001; Coleman, 2002).

## Europe’s workforce potential

As noted above, however, actual workforces are not just determined by demographic forces but by participation rates and by ages of entry and exit from the workforce. Eurostat projections of population and of modest growth in participation rates, for example, shows that no country in Western Europe except Italy is likely to have a smaller actual workforce in 2025 that it has today (Feld, 2000). A general shortage of workers has not yet arrived; potential migrants will always be with us, even unto the end of the century. So there is no hurry. Europe’s potential workforce is considerable and could be mobilised through reforms which are essential anyway for other reasons. The EU countries have, overall, the lowest workforce participation rates of any major modern economic block—hardly 64% of the population aged 15–64 is economically active. This varies greatly between countries. In Italy and Spain, for example, scarcely half the 15–64 year-old population is economically active (Table 1).

If, for example, the whole of the EU15 could acquire the high workforce participation rates of Denmark as in 1999, then the employed population would be increased by 35.6 million (11.8 million males, 23.5 million females) or 23.2%—about the same as the supposed numerical deficit by 2050. This of course can only be done once; workforce participation rates

**Table 1: Economic activity and workforce participation in European countries, 1999**

	Population aged 15–64		
	Total fertility rate	Economically active (%)	Employed (%)
France	1.87	68.8	60.4
Germany	1.37	71.2	64.8
Italy	1.21	59.6	52.5
Netherlands	1.72	73.6	70.9
Spain	1.19	62.1	52.3
UK	1.64	75.1	70.4

Sources: Council of Europe 2001; Eurostat 2000 Labour Force Survey; OECD

cannot rise above 100% or even approach it. Furthermore, it is easy to imagine the obstacles to realising this hypothetical result. But it shows the need to concentrate on reforming the EU's labour market, welfare and early retirement systems before tinkering with demography.

## Changing the boundaries of working life

In the longer term, the closest we will get to a 'solution' to population ageing is to change the boundaries of working life. Increases of retirement age to between 72 and 74 would, in fact, completely preserve the current potential support ratio of workers to the retired up to 2050 (UN, 2001). A complete 'solution' is not to be expected, and these in any case may seem extreme values. But some movement in that direction is essential and desirable. Expectation of life at birth now exceeds 80 years, and at age 65 it approaches 20 years. We cannot spend in a longer life of leisure the earnings of a shorter life of work, and expect to retain standards of consumption. Most additional years are of active life. In fact, average actual retirement for men is about 58, not the nominal 65. The *status quo* could be substantially maintained by a return to the actual retirement age of the 1960s.

Internal reform, not international migration, is the key to Europe's problems of labour shortage. In Southern Europe, the highest unemployment rates coincide with the lowest economic activity rates, with high levels of illegal immigration and very tight protection of labour and control of rents and tenure in rented accommodation. Retirement is very early, unproductive bureaucracies are large, and studentship seems perpetual. There, the same 'familist' culture and marked gender inequity that keep the workforce participation rates of women so low, also keep birth rates very low, and thus the threat to future workforce. Evidently it is much easier to let in more immigrants than to get the domestic workforce actually employed by difficult reforms—of culture as well as law—that impinge on vested interests. Yet these reforms are essential anyway, as even the EU recognises to realise its goal of becoming "the world's most productive economic grouping".

Easy access to migrant labour distorts economies and creates dependency on further migration. Easy access to cheap labour diverts attention from the need to develop higher productivity processes and practices through greater investment in training, the substitution of labour by capital, or alternatively the export of low-margin, low-productivity enterprises

to third world countries where they can be carried out profitably. Employers tend to choose the path of least resistance if they are allowed to, avoiding commitment to training and re-investment if apparently easier options are available for whose longer-term costs they are not responsible. In the US, the 'Bracero' programme to recruit Mexican agricultural guest-workers was restricted in the 1960s, against employer protests. In California this promoted remarkable gains in productivity through the mechanisation of fruit picking and processing and other efficiencies, accompanied by increases in individual wages, in union membership and in the employment of US workers (Martin and Olmstead, 1985).

An example closer to home is that of the National Health Service (NHS). Often 'celebrated' as an example of the value of immigration, this is in fact a classic story of distortion and dependency. The dependency on overseas doctors and nurses of the NHS has lasted for most of its existence; a dependency unique in Europe. In GDP terms, the NHS is also the worst funded health system in the West. These points are closely connected. Overseas recruitment has permitted the continuation of chronic public under-funding of a centrally controlled nationalised industry and made continued overseas recruitment essential, as investment in training remains inadequate to meet domestic needs. Salaries and wages, and conditions of service for staff remain poor. The health service provided to the public, except for emergency and acute services, is the subject of perpetual and justified complaint. Poor conditions of service weaken the retention of British staff, and imported staff also do not long endure its problems. This creates the perverse situation whereby over 100,000 trained UK nurses are no longer nursing, and where despite very substantial overseas recruitment of nurses, the number of foreign nurses in the NHS has remained constant over several years (Dobson *et al.*, 2001) as many leave to take up other employment with better conditions.

Morality, as well as economic wisdom, comes into question when conditions of employment and training are so unsatisfactory that crucial public services are dependent on scouring poorer countries for medical personnel and teachers.

## **The actual record of immigration**

Never mind the theory, what does the practical record of immigration look

like? Few doubt the advantages to employers, and probably to the economy, of the ability to recruit highly-skilled workers to fill real job vacancies, although these tend to be on a modest scale, temporary, and often reciprocally balanced between (developed) countries. Many analyses of the net economic effects of immigration to Continental Europe, especially those done during the 1960s guest worker period when most immigrants were workers, came then to unequivocally favourable conclusions. But many of those 'temporary' workers stayed on even when unemployed when the economy moved on, and were later joined by their dependants, which wasn't the idea at all. In the long run, the guest worker era, which Japan notably avoided, may have retarded the inevitable and desirable automation of production in Europe, and reduced its competitiveness.

Over time, the patterns of economic demand and of immigration have changed. Conclusions on the benefits of migration have become more nuanced and in some cases negative. The growth sectors of the economy now demand skilled or professional workers. Migrants from outside Europe are less well equipped with such skills, although medicine and the IT sector are notable exceptions. Many of the earlier 'temporary' workers have stayed as long-term unemployed. Since the 1970s, the majority of legal migrants to the UK, and to Europe, and also to the United States did not enter primarily for the purposes of work. Most have entered as dependants, as students, as new spouses for the growing immigrant populations, or, more recently, as asylum claimants. Only a minority has entered through any job-recruitment process or for work reasons: well under 20% in Denmark, the US, France, Norway and Sweden in 2000, for example (OECD, 2003, Chart 1.2) although, of course, that does not preclude others taking jobs. In France, in 1999, 78% of the inflow was family-related. The skills of such migrants, especially those from outside Europe, are usually at a low level.

Computing the benefit or cost of immigration is obviously difficult. For example, the US National Research Council (Smith and Edmonston, 1997) concluded that all immigration (legal and illegal) to the US might add as little as \$1 billion and as much as \$10 billion per year to the US economy, which was then growing at \$400 billion per year. Immigration might thus contribute as little as 0.25% to the annual rate of growth or as much as 2.5%. More certain is the fact that immigration was then adding about 0.5% per year to population growth and comprised about 60% of that population growth. If the lower end of the growth estimate is taken, in the

1990s immigration was making the average US resident slightly poorer, not richer.

In the United States, the evaluation of net economic benefits or costs from migration depends upon whether local or federal level is considered: at the local level, immigrants appear to be a net cost; at the federal level the picture is less clear (Rothman and Espenshade, 1992). Post-1979 immigration to the United States is estimated to have increased the total income of Americans by between 0.05% and 0.13%, without counting congestion costs. However, as in Europe, it is the lower paid who are disadvantaged; Borjas *et al.* (1997) conclude that “Immigration has had a marked adverse impact on the economic status of the least skilled US workers” (high school dropouts and those in the bottom 20% of the wage distribution). Borjas (1999) more recently concluded that more recent immigrants to the United States contributed much less to the economy than in previous decades, partly because of a declining skill level, and that their presence might well disadvantage poorer American workers.

This deterioration is shared in the immigration experience of European countries, where in net terms resources are transferred from natives and rich immigrants to poor immigrants (Wadensjö, 1999). In the UK, at local level, a 1% increase in the share of immigrants in a county or region leads to an increase of between 0.18 and 0.61 percentage points in the local unemployment rate (Dustmann *et al.*, 2003). In Denmark, while immigrants from rich countries are judged to be economically beneficial, those from poor countries impose a net cost on the host society (Schultz-Nielsen, 2001). Recent Swedish research suggests that overall, the net economic effect of recent immigration has been negative, amounting to an annual net transfer to immigrants of between 1% and 2% of GDP (Ekberg, 1999). There, more recent migrants tended to be much less well equipped in terms of capital and also much more prone to be unemployed or economically inactive. The conclusion varies from country to country; Sweden has a well-developed welfare system and many of its immigrants are poor and unskilled asylum seekers. Even on narrow economic criteria, however, the general conclusion from real evidence seems to be that overall, recent immigration has had at best marginally positive net effects and quite likely negative ones.

This is hardly surprising given the lower level of workforce participation, and high level of unemployment, of both the first and the second

**Table 2: Participation rate and unemployment rate of nationals and foreigners in selected OECD countries, 2000–2001 average**

	Workforce participation (% pop 15–64)				Unemployment rate (percent)			
	Males		Females		Males		Females	
	Nationals	Foreigners	Nationals	Foreigners	Nationals	Foreigners	Nationals	Foreigners
Belgium	73.3	72.4	57.0	41.0	4.6	14.2	7.0	16.5
Denmark	84.1	71.2	76.2	53.0	3.6	12.2	4.9	7.2
France	75.1	76.6	63.3	48.6	7.1	17.1	10.7	23.9
Germany	78.9	77.6	64.7	50.7	7.2	13.4	7.8	11.7
Netherlands	84.9	69.5	67.2	49.0	1.9	4.7	2.9	7.0
Sweden	78.0	63.1	74.2	60.3	5.5	16.1	4.6	13.0
Switzerland	89.2	89.3	73.3	68.6	1.3	4.3	2.6	6.4
UK	83.1	75.6	68.4	55.8	5.5	9.8	4.4	7.9
<i>Mean</i>	<i>80.8</i>	<i>74.4</i>	<i>68.0</i>	<i>53.4</i>	<i>4.6</i>	<i>11.5</i>	<i>5.6</i>	<i>11.7</i>
Italy	73.6	87.7	46.6	50.7	8.0	7.4	13.9	21.3
Spain	77.3	85.4	50.9	59.1	9.3	12.9	19.8	17.2
<i>Mean</i>	<i>75.5</i>	<i>86.6</i>	<i>48.8</i>	<i>54.9</i>	<i>8.7</i>	<i>10.2</i>	<i>16.9</i>	<i>19.3</i>
Australia	75.0	67.0	59.1	48.2	6.7	6.6	5.8	6.9
Canada	73.8	68.4	60.2	52.9	10.3	9.9	9.5	11.6
United States	80.7	85.6	71.4	61.7	4.9	4.4	4.1	5.6
<i>Mean</i>	<i>76.5</i>	<i>73.7</i>	<i>63.6</i>	<i>54.3</i>	<i>7.3</i>	<i>7.0</i>	<i>6.5</i>	<i>8.0</i>

Source: from OECD 2003, SOPEMI 2002, Table 1.14 p. 60

generation of immigrants to Western Europe (Table 2), especially those from outside Europe. The relative position in Spain and Italy is less unfavourable, but there domestic unemployment is high and domestic labour force participation weak. This disadvantage is closely connected with the primarily non-economic reasons for migration of the majority of immigrants, many of whom are disadvantaged by their lack of skills and by cultural factors (seclusion of women, high fertility) which impede their economic and social progress. Europe is, after all, now importing third-world levels of poverty and dependency on a considerable scale.

### The position in the UK

In the past, the majority of workers coming to Britain under work permit were highly skilled (Salt and Clarke, 2001), but they comprised only a

small proportion of all immigrants. EU migrants do not need a work permit but migration with the EU has usually been approximately in balance. However, labour migration to the UK was and is a two-way process—in most years in the 1990s just as many left the UK for work as entered for work. And most immigrants are not workers. Until recently little work has been done in the UK on the evaluation of the net economic effects of immigration (e.g. Jones and Smith, 1970), partly because UK economists considered that the economic effects of migration, either way, were too trivial to worry about.

However, with much higher immigration rates, and a government keen to talk up and stoke up immigration, things are changing. For example, the Home Office, in alliance with a Labour-leaning think-tank, the Institute for Public Policy Research (IPPR), have jointly produced studies pointing out the merits of migration (Gott and Johnston, 2002, page iii). While carefully done, these studies are limited, employing only easily accessible conventional statistics and ignoring difficult areas even when relevant statistics are available. According to this publication, the fiscal contributions of immigrants, in a rather broad sense, in 2000, were £31.2 billion. The costs were £28.8 million; the fiscal advantage being £2.5 billion after rounding.

Even if the results of this UK study are taken at face value, the £2.5 billion fiscal gain from immigration comprises just 0.25% of the 2000 UK GDP of £944.7 billion. While this does represent growth in overall GDP, what matters is whether the average income per head of population is thereby increased. Immigration increases the population as well as the GDP. In fact, the net contribution of net immigration to UK population growth in 2000 (0.31%) is slightly greater than the contribution of immigration to net GDP growth (0.25%). On the report's figures alone, even if taken at face value, GDP per head is apparently diminished as a consequence of immigration (the factor of population growth is not mentioned anywhere in this or any other of the government's recent reports).

However, the report's statistics cannot be taken at face value; they omit too much. The report explicitly assumed that the costs for immigrants and natives alike in relation to education, health, crime, prisons and public disorder were exactly equal. This is known not to be the case. Ever since the 1960s, special additional expenditure, for example the Home Office's Section 11 Grant, has been directed at schools with high proportions of immigrant pupils in order to overcome problems of poor English and other

handicaps. Schools in London, for example, now have to cope with 150 different languages. For decades, considerable sums have been earmarked for specific ethnic projects, and more generally for the urban regeneration of areas where immigrant populations are concentrated, through the Urban Programme and its successors. The proportion of immigrant and ethnic minority population has been for years an important component of the official indices of local need used to determine the level of Revenue Support Grant given through taxation to local authorities.

One of the more dismal longer-term consequences of post-war migration has been the disproportionately large involvement of ethnic minority populations in robbery, burglary and drug-related crime, attested by statistics from victimisation surveys, convictions and imprisonment (Smith, 1994; Home Office, 2000). Ethnic minority offenders have been responsible for over half the street crime in London for decades, and have been the focus of intermittent but destructive riots in London, Bristol, Manchester and Oldham and elsewhere since 1981. The causes of all this are controversial, but in Europe the phenomenon seems to be general (Wadensjo, 1999) although not in the United States (Hagan and Palloni, 1998). The cost has never been evaluated, but can hardly be trivial. The report also does not consider the loss to the UK economy through the considerable sums sent home by immigrants as remittances (the increase of which has weakened a previously favourable balance), the substantial costs of the race relations enforcement process which has developed in the wake of mass immigration, and the sums spent on the asylum process—officially £1.8 billion in 2000.

It is difficult to see how there can be much change out of the ‘£2.5 billion’.

Britain shares the lower workforce participation of immigrant or foreign populations that is general in Western Europe. In the UK, 64% of British citizens aged 16 and over were economically active in 2000, compared with 59% for the foreign population (Table 3; Dobson *et al.*, 2001). Looking at the population of working age, between 16 and 60/65, 80% of British citizens in those age-groups were economically active in the year 2000, compared with 69% of the foreign population. Unemployment was also higher among the foreign population: 8.5% compared with 5.5%. The position with regard to the ethnic minority population—which numbers over 4 million and includes citizens and non-citizens and both immigrants

**Table 3: Workforce participation and unemployment, UK****(a) By citizenship, 2000**

	UK (%)	Foreign (%)
Economically active		
all ages over 16	64	59
ages 15–59/64	80	69
Unemployed	5.5	8.5

**(b) By ethnic minority status, 1999**

	Economically active (%)	Unemployed (%)
White	80	6
All ethnic minority	66	13
Black	73	15
Indian	71	9
Pakistani/Bangladeshi	50	19
Other	66	12

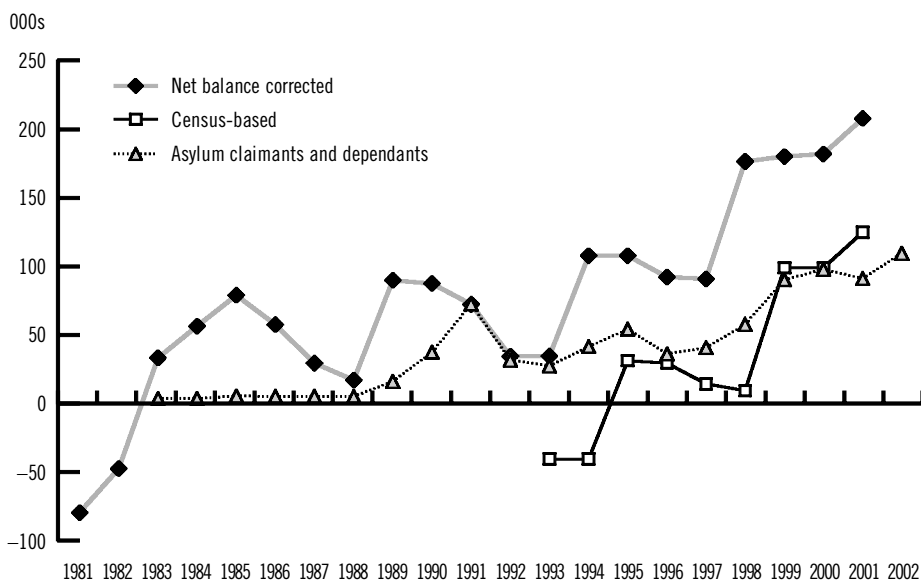
Source: Dobson et al., (2002); Labour Market Trends (2000)

and their children born in the UK—is less favourable. In almost all groups, unemployment has been higher, and workforce participation rates lower, particularly among Bangladeshis and Pakistanis: just 50% in 1999.

## The scale of migration to the UK and its demographic consequences

Net migration to the UK has increased to record levels over the last 20 years (Figure 2). Its exact magnitude, never certain, has been thrown into confusion by the results of the 2001 census. This gave a figure for the UK population over 1 million fewer than expected from the population estimates. The Office for National Statistics believes that this result is infallible and accordingly considers, without much direct evidence, that the estimates of emigration of UK citizens (mostly males aged 15–50) must have been greatly undercounted. Accordingly the net migration estimates have been crudely truncated by 76,000 per year, taking them down from a net inflow of almost 200,000 per year in 2000 on the previous basis to 126,000 in 2001 (including asylum claimants). Not all demographers

**Figure 2: Net immigration to the UK (2 definitions) and asylum claims 1981–2002, all citizenships**



Source: Home Office, Office for National Statistics

accept the census figure or the Procrustean amputation of the migration data which its acceptance requires. Estimates of net non-EU foreign immigration (176,000 for 2001 on the new reckoning) are less affected by this adjustment.

Even the new figures are at historically unprecedented levels and still increasing. Despite huge increases in work permits, much migration is still not labour-related. The grounds for expecting favourable economic results, especially during a threatened economic downturn, are weak, as we have seen. It is difficult to understand what justified this enthusiasm for migration, given the continued growth of the UK labour force and the persistence of unemployment at 5%. It remains very unpopular with the electorate. All that is certain is the further inflation of the UK population. This is projected to rise from 59 million to 64 million by 2040, increasing pressure on housing and congestion in the South, and promoting further substantial change in the ethnic composition of the population.

The government has not explained why it believes that 120,000 male UK citizens of working age are leaving the country every year, if there is a general shortage of labour for which it is issuing so many work permits (the target is 175,000 although only 108,000 new permits were issued in 2002). While some skilled labour migration through work permit continues an old and useful practice, the government's enthusiasms for economic salvation through migration (in an economy not obviously needing to be saved) seem transient and unrealistic. In 2001, for example, it emphasised the paramount need for the importation of hundreds of thousands of foreign IT specialists. By September 2002 such occupations had disappeared from the government's own list of occupations in short supply, after modest additional recruitment.

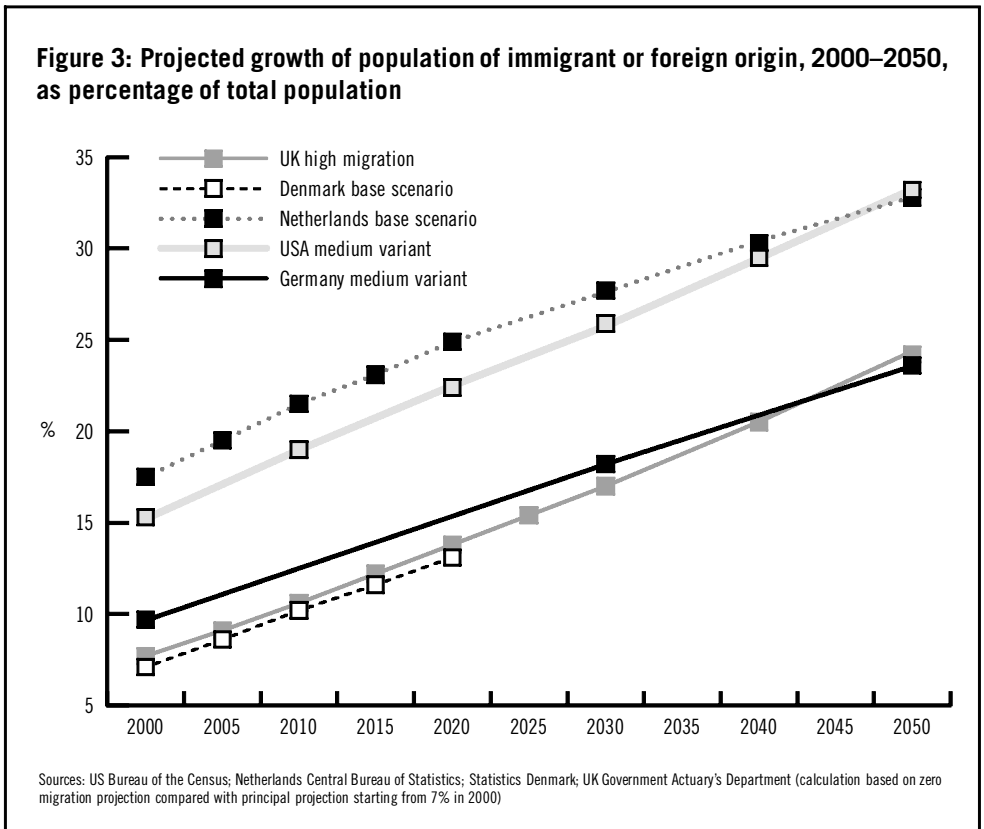
## **Social and political consequences**

No comprehensive review has ever been attempted of the social and political consequences of large-scale migration to the UK, and the demographic ones are officially ignored. Yet in the opinion of this author, these far reaching changes from the mass importation of people are much more important, and much more permanent, than any arguably minor and transient economic effects. The official view is now very firmly that the social changes arising from immigration, especially from non-European immigration, is culturally and socially beneficial, that this multicultural diversity should be protected and preserved, and that it is the duty of the host society to adapt to it.

Yet the cultural benefits to be celebrated are more often proclaimed than listed and indeed are seldom specified beyond a wider range of ethnic restaurants for the middle classes and new kinds of pop music for youth. Critics—of which this author is one—claim that this process and policy helps to preserve the isolation and segregation of immigrant populations, with the potential for serious conflicts of interest, identity and loyalties. In this author's view, 'diversity' adds a relatively intractable set of new social divisions on top of the still unresolved social class divisions from which the UK has traditionally suffered. Well-known potential clashes of culture have arisen between traditional modes of behaviour and attitudes and those considered acceptable in a modern democracy, for example on the role of women in society and the education appropriate to

them, separation of church and state, tolerance of indifference to religion and of sexual unorthodoxy.

Finally, in 2000, the question of ethnic replacement was raised in the national press: whether the high rates of immigration, and the relatively high level of fertility in some immigrant groups, would cause Britain to cease to be numerically a white country, with all that that would entail for cultural transformation. No appropriate projections for the UK have yet been made to answer such questions, although some are in preparation. A very simple preliminary estimate for the UK can be made by subtracting the GAD 1998-based zero-migration projection from the corresponding GAD 1998 high migration projection. The latter assumed 195,000 net overall inflow which is intermediate between the old net foreign inflow estimate of 234,000 and the new one of 176,000. The resulting trend resembles that given by the more formal projections of other western countries (Figure 3). While it is true that the current relative growth rates



of the white (0.1%) and non-white (4.0%) populations point in that direction if they remain unchanged, birth rates are expected to converge and immigration is at least nominally under state control and can go down as well as up. Whatever happens nationally, ethnic displacement is becoming a reality in many large cities. Local authorities in cities such as Leicester and Bradford already project non-white majorities in a decade or two, and the 2001 census shows that this has already occurred in some London boroughs: in Inner London 49% of births were to immigrant mothers in 2000.

The events of September 11th 2001 and the responses to them have drawn attention to a hitherto undiscussed security problem, in the disturbing level of sympathy for al-Qaeda and its aims revealed by opinion polls among young Asians in Britain. Over the years numerous terrorist activists have been granted refuge in London, which has acquired an unenviable reputation among some foreign governments as a safe haven for such persons.

To advance the interests of immigrant and ethnic minority populations and to diminish the undoubted prevalence of discrimination, a pervasive apparatus of ethnic monitoring and enforcement has been created. Group rights, enjoyed by minorities over and above individual rights, are now widely recognised. Ethnic origin is now required to be stated in applications for almost all public appointments, grants and other services even to the extent of gaining planning permission for house extensions. Quotas, nominally illegal but thinly disguised as 'targets', are widespread for recruitment and promotion. The Race Relations Acts permit certain kinds of positive discrimination in favour of minorities, in training, in the public subsidy of 'Black Housing Associations' and elsewhere. This transformation of the United Kingdom into an ethnically corporate state providing group rights for some in addition to individual rights is not universally welcome, and has never been put to an electorate. However difficult to weigh (and some will welcome them), these indirect consequences of large-scale migration need to be put into the balance.

## Conclusions

Migrants are the only unequivocal beneficiaries of migration. Whatever theory may state, there is in practice no guarantee that anyone else will be. Some degree of two-way migration is normal between open societies

participating in international trade. Benefits from focused high-skill migration are not controversial.

But overall the economic record of recent immigration does not seem very impressive, and there is a growing body of evidence that its effects are more often negative, partly because most immigration today is not primarily economic. Needs and benefits may well be transient while the immigrant populations, especially those from poor countries, are more likely to be permanent. Unskilled and unemployable labour is a general problem in the West, and immigration is adding to it.

Simple fiscal accountancy, itself of dubious conclusiveness, ignores important negative externalities on which at least some data are available, not the least being the long-term distorting effects upon economies of dependency on immigrant labour. There is a risk that immigration may be used as a short-term 'solution' to evade addressing fundamental, essential but difficult reforms: of the labour market, welfare, unemployment arrangements, conditions of service, investment in training, rectification of gender equity problems. These must all be solved if Western societies are to be self-sustaining.

At the end of the day, the more important effects of large-scale migration are demographic and social—provoking unwanted population growth, new and intractable social divisions and a corresponding weakening of national identity and cohesion, with the eventual prospect of the eclipse or marginalisation of the population receiving the migrants and of its culture.

• NIGEL HARRIS

David Coleman has provided a succinct and admirably clear overview of the 'anti-immigration' arguments. I list below some points of comment and criticism.

### **Engaging the argument**

Our approaches are skew, so in part we have missed each other's central argument. I was concerned with the assembly in the medium term of an adequate British labour force; he is preoccupied with how the non-British

population (whether foreign-born or, it seems at the end of his argument, British nationals born to non-white immigrants) can be prevented from increasing. My worry is, for him, a non-problem. His fire is therefore concentrated on what has in the past been the bulk of immigration, family reunification (although sometimes he also includes other categories of immigrant—except the highly skilled—not discussing the different criteria at stake in treating, say, legal temporary workers and asylum seekers). This was a subject on which I expressed no opinion, but since I regard immigration controls as economically more damaging than unrestricted movement, I must favour the right of people to reunify their families. However, Coleman does not offer guidance on how British citizens can be prevented from marrying foreigners, having children abroad or seeking to care for elderly in-laws, or if they insist on doing these things, how they can be kept in exile. But, this is perhaps a diversion from my argument.

### **‘Optimal population size’**

I suggested that levels of immigration/emigration—for those who favour controls—depended on an idea of an optimal population size. Coleman does not provide us with criteria for determining what this size might be. He says that I think it is difficult to decide such a matter, but that is not so. It is impossible—the concepts and the assumptions of the question are flawed. On the contrary, with a given territorial area, populations of very different sizes can organise their lives satisfactorily provided they have the resources to do so, and it is the generation of resources that is the key question, not the number of people.

Without a notion of optimality, Coleman is reduced to what we might call naïve conservatism—what exists, because it exists, is superior to any hypothetical alternative. It follows that efforts must then be taken to prevent population growth (or decline) regardless of any economic or social costs. All immigration or emigration would then be deleterious.

### **‘Balanced’ migration**

Should migration between countries be ‘balanced’, without net gains or losses, much as trade was conceived of in the old world of bilateral trade agreements and closed national economies? I cannot think why this should

be so in a world of territorially uneven development, any more than we require of domestic migration between localities that it should be ‘balanced’. Any such policy would mean cities, growth areas, would become impossible. A global division of labour and a dynamic world economy—as with a dynamic national economy—imply continual movement of resources, capital and labour, between places if growth is to be sustained.

## Gains from migration

Coleman is rather cavalier about the studies cited in my footnote on the gains to the world from increased migration. He is attacking a principle taken for granted by most economists for the last two hundred years, even by George Borjas (1999, p. 181) who shares some of Coleman’s views.<sup>8</sup> It would have been easier for him to say that immigration should not be decided exclusively on economic grounds, rather than scoff at “global fantasies”. Had he persisted with the Moses and Letnes paper, he would have found in their conclusions:

“Even though we recognise the inherent (and contentious) limits to this approach, we are moved by the magnitude of the annual efficiency gains estimated by it. Even the smallest (and most cautious) estimates exceed the combined current levels of development assistance and foreign direct investment in the developing world. Many of the estimates exceed the worldwide GNP estimates... international migration may be one of the most effective means of shrinking the income gap that separates rich and poor countries.”

Nor do any of the studies I mentioned suggest the gains of a vastly enlarged global output accrue exclusively to developing countries nor “at the expense of” the developed countries (this is Coleman’s fantasy). As in trade, growth accrues to the benefit of both participants.

The more interesting question—as with the Borjas case—is whether seeking to attract exclusively skilled labour, reversing the process implied in free trade and so reducing the growth of the world economy, can be achieved without damaging the national economy pursuing these policies.

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<sup>8</sup> “(T)he principles of free trade, first enunciated by David Ricardo almost two centuries ago, suggest that the world would be much richer if there were no national borders to interfere with the free movement of goods and people. By prohibiting the immigration of many persons, the United States inevitably shrinks the size of the world economy pie, reducing the economic opportunities that could be available to many persons in the source country”. Borjas omits here, however, the possible damage inflicted on the United States by immigration controls.

## Costs of migration

Coleman, in his response, tries to tilt the balance of advantage here, as elsewhere, by tossing in the “huge costs of civil strife in receiving countries”. It is as if football hooliganism were to be used as an argument to abolish football. There are two observations here. The first is that the British—and the English—have a long history of rioting without the presence of foreigners; indeed, the social conflicts of today seem quite trivial in comparison to those of the eighteenth, nineteenth and twentieth centuries. Second, despite the pervasive mild and tolerated xenophobia in the country, what is impressive over the last half-century is the lack of major social collisions; one has only to read Enoch Powell’s famous 1968 anti-immigration “rivers of blood” speech to see how risible his fears seem now with the benefit of three decades of further history. Of course, it is always possible to say that it will all end in tears one day, but we must judge on the existing record rather than on apprehensions that the presence of foreigners leads inexorably to social conflict, which is clearly not the case.

## Immobility of population

Coleman responds to my point that relatively few of the world’s population ever considers moving by saying, if they don’t move, there can be no benefit. But this is to miss the point. The population of the world is surprisingly immobile,<sup>9</sup> so the fears of swamping are unfounded. On the other hand, the tiny minority—among the more energetic and enterprising—who do move can provide for the modest needs (by world standards) of the British economy. The numbers involved do not, for example, match earlier increases in labour supply which have been absorbed without most people noticing—for example, the arrival at maturity of the post-war baby bulge, or the sharp increase in women in employment. The only difference here is that the newcomers are foreigners and therefore the target of the xenophobes.

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<sup>9</sup> To the point where there is an intellectual puzzle to be explained—see Fischer *et al.* (1998).

## Who gains from immigration?

It is a persistent theme in Coleman's account that only employers and the better-off (who can afford maids, etc.) gain from the immigration of the unskilled, and "it is the lower paid who are disadvantaged". This is a theme also uncritically reproduced by many economists, even though, on reflection, it cannot be so. There are two observations:

(a) There is a large number of studies on American data that have found either no or an insignificant impact of increased immigration on native wage and employment levels (see, for example, Greenwood *et al.*, 1997). Where there are small negative effects, they tend to affect earlier cohorts of immigrants rather than the historical poor of the US—blacks or Hispanics. This could be that migrants move to labour scarce areas where wages are rising in any case, so that their effect is masked in the general movement. On the other hand, there is much evidence that unskilled immigrants do the jobs which the natives, even if unemployed, are unwilling to do: they are not competing; rather, low-skilled immigrants compete with earlier low-skilled immigrants. Immigrants then fill places not because they are cheaper—in general, they seem not to be—but because they are the only workers available (as happens with seasonal migrant workers in British agriculture).

On the other hand, few studies track the impact of immigration on raising employment for complementary native workers—how the availability of foreign-born unskilled production workers increases the demand for native-born foreman, supervisors and managers, skilled workers and technical staff, truck drivers, etc. Fewer still estimate the multiplier effects of immigrant expenditure—on demand for accommodation, furnishings, foodstuffs, transport, etc.

Borjas, one of the most sophisticated migration economists along with others, has changed the nature of this discussion by suggesting—following Adrian Wood's work on trade (1994)—that the native unskilled take anticipatory action to avoid competition, so local studies much underestimate the impact of increased immigration. It is an ingenious argument and may have some validity, but it is far from the consensus among migration economists. (For critical reviews of Borjas' *Heaven's Door*, see Bhagwati, 1999; Anderson, 2000.)

(b) However, if we broaden the focus from work to consumption and prices, the case seems clearly false. For example, immigrant workers in agriculture ensure fewer imports and the survival of small farmers and the rural economy, as well as lower food prices, the primary beneficiaries of which are the poor (who spend a larger share of their income on food-stuffs). Immigrant workers in manufacturing, construction, public transport, and so on have similar effects. Immigrants in this country have saved the small corner shop in the poorer areas of big cities and provincial towns in certain regions, and are now doing something similar in rural areas. And in public health care services, the immigrant labour force is crucial—particularly in the poorer districts of our larger cities (east London’s services for the aged and disabled are now overwhelmingly immigrant-staffed).

Indeed, it is those Coleman calls “the disadvantaged” who are the *primary* beneficiaries of the immigration of un-skilled and semi-skilled workers, and would suffer most if the supply were curtailed. The better-off can afford to manage without the services provided by immigrant labour. Of course, Coleman might argue that wages should be paid which induce native-born workers to do these jobs, and that it can be done without a level of taxation which is electorally suicidal or of pricing which makes the services prohibitive for the poor. On the face of it, and without the evidence, Coleman’s option appears utopian.

## **Level of skills and productivity**

I was surprised to find that Coleman thought I regretted the increase in skill levels and earnings of the native-born. On the contrary, like Coleman, I rejoice, particularly because there is a world labour force capable of facilitating the skilled native-born worker’s achievement of high productivity. But if the skilled are denied access to migratory workers, their productivity will be lowered by the need for them to be their own cleaners, public transport workers, canteen cooks, etc., to care for their own children and to care for their aged. Thus, the attempt to increase the participation rate, with no low-skilled immigration, becomes self-defeating. The outcome is likely to be increasing emigration of the highly skilled to those places in the world which allow them to reach their full potential. Furthermore, I rejoice that, for those that stay, on such high incomes, they will be able to afford to work less and to retire early, rather than being bludgeoned by

Coleman into staying at work for no better reason than trying to stop those facilitating low-skilled foreigners entering the country.

## Composition of skills

I agree with Coleman—who knows much more about these things than I do—that it is sensible to be sceptical about population projections (and that includes the wilder estimates of the growth of the British population through immigration now), but it is also sensible to consider the options on the basis of the evidence we have. On the other hand, Coleman does not confront the much bigger issue of the composition of skills, the balance of skilled and unskilled in an open economy and in the short to medium term. We agree that efforts need to be made to remove the disincentives to work, and this most European governments are doing—albeit without so far significant results. Coleman does not consider the costs of inducing people to work nor the effects on the affordability of services (particularly for the poor), nor how far non-work may be part of the logic of a more wealthy society, greater lifetime earnings, and thus the ability to reduce lifetime work inputs. More importantly, he poses increased native-born participation as an *alternative* to increased immigration—“Internal reform, not international migration, is the key to Europe’s problems of labour shortage”. But why not do both? His explanation for not doing so is weak—“Easy access to cheap labour diverts attention from the need to develop higher productivity processes and practices”. Yet this is clearly false since currently governments are doing both.

The problem is that the scarcities are immediate and urgent; the reforms, even if effective, take much time. He takes as an illustrative case of his argument, the British National Health Service, boldly affirming that the availability of foreign workers has *led to* the under-funding of the NHS. This is an interesting idea, but he offers no evidence to contradict the perhaps naïve notion that, without foreign staff, the NHS would be in a very much worse position. Nor does he compare Britain to the US—with amongst the highest per capita expenditures on health and also a heavy dependence on immigrant labour.

On the other hand, there are real problems with creating a purely high-skilled economy. It is easy to say that lower productivity activities should be phased out, but how are MPs for rural constituencies to present this to

the mass of small farmers and those who believe the rural economy is in severe decline—and all just to stop the entry of temporary workers, e.g. students from the Ukraine, for the picking season?

## Labour supply

Did ending or reducing Mexican migration to the US force the upgrading of Californian agriculture, improving productivity without dependence on immigrant workers? Would that it were possible in an open economy to control labour supply and that it could have such profound effects. But Mexican irregular migration into US farming continued to increase, and the government was said three years ago to be preparing a new scheme to regularise this flow (Martin *et al.*, 2000, p. 156). Migration has been, one might guess, one of the means to save many marginal farmers in competition with imports, and save the seats of many Congressmen from farming States. In step with tighter border controls has gone increasing dependence on low-skilled irregular immigration, an outcome that might seem inevitable in an increasingly open economy—symbolised in the North American Free Trade Agreement—in all respects except low-skilled labour (Massey *et al.*, 2002; Cornelius, 2001).

## 'Foreigners'

Coleman tends, as noted earlier, to conflate all categories of people entering the country for work or settlement as “immigrants”, as if their foreignness were the crucial variable. Thus, asylum seekers—forbidden to work by the government and thus, if they remain law-abiding, a dead weight on the social services—are confused with temporary work permit holders who, for demographic reasons (age, etc.) draw very little or not at all on such services.

This refusal to distinguish between what seem to be conceptually quite different problems leads to other flawed inferences—that crime or unemployment rates are higher for the “foreign-born” or “ethnic minorities”, as if the same crime rate applies to Leicester teachers of Indian extraction as to male youth (black and white) of Leeds Chapeltown or Brixton. Indeed, the latest census figures show that men of Indian origin, for example, have almost the same employment and unemployment rates to white males, so

on the face of it, skin colour is irrelevant. If Coleman's methodology is applied to the whites, we assume Oxford University teachers have the same unemployment and crime rates as citizens of the poorer areas of Glasgow. This conflation then allows the bizarre idea that the British government is granting work permits to people who, on arrival, register for unemployment benefits.

What is the point of this kind of approach except to vindicate a kind of methodological xenophobia?<sup>10</sup> Coleman knows as well as I do the results of not standardising the variables so that like is compared with like—specific ethnic groups (and time of arrival), gender, age, language ability (for employment), skill levels and education, location, etc. Then we can begin to see whether ethnicity or being foreign-born (or being black) makes a difference and where, when and for whom. On the latest trend figures, it seems, murder in Britain is “overwhelmingly a white crime” (*The Economist*, 26 April 2003), and crime generally is associated with working-class men in provincial towns and cities, particularly Scotland (with a relatively low share of ethnic minorities or the foreign-born). This may not mean much, but we can hardly progress with such an unsophisticated approach as Coleman's.

## Remittances

Coleman objects to people sending money out of the country, i.e. remittances (how far these are sent by the foreign-born or ethnic minorities is not clear). Such payments, like the profit remittances of foreign-registered companies in Britain, are a necessary condition of operating in a world economy with a share of world capital and world labour, necessary if British incomes are to be sustained. Coleman suggests the interesting thesis that immigrant remittances have had the profound effect of turning a favourable balance of payments position into deficit. The relative size of the aggregates makes this seem most unlikely, but to make it more credible would require a complex and sophisticated methodology to control for other factors. Coleman does not seem to see this and makes no attempt.

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<sup>10</sup> I am certainly not suggesting Coleman dislikes foreigners—I am sure he doesn't—and even if he did, that would not invalidate his argument. But knowingly or not, the concentration on the difference between foreign-born and native-born leads to xenophobic conclusions.

## Costs of control

Coleman makes various propositions about the costs of immigration as if to suggest an introductory social benefit–cost analysis. But he omits entirely to include any estimates of the costs of the present system of control, from the processing of visas to the detention of asylum seekers and the militarisation of border patrols (including British naval vessels patrolling the Mediterranean), leaving aside his rejection of any idea that there might be benefits.

## Planning labour needs

Coleman rightly mocks the government’s projected demand for IT specialists (and the subsequent revision as the industry went into recession). But he does not see that the error arises precisely from the government’s attempt to plan labour needs when it can plan very little else, so that it is inevitably too little or too much and too late (and sustains a compensating flexible black economy in irregular migration). The implication might suggest itself that therefore migration should be decontrolled altogether, so that employers recruit abroad as they recruit at home and bear the costs of their own mistakes. National planning of the sort embodied in migration control is no longer feasible.

## Social and political consequences

However, the real case for Coleman, it seems, is not about the economic welfare of the inhabitants of Britain, but the “social and political consequences” of immigration, what might be called the ‘social externalities’.<sup>11</sup>

Part of that is, he says, the possibility that Britain could cease to be “numerically a white country” and “with all that that would entail for cultural transformation”. Now I do not know what is the link between the hue of complexions, somatic skin preferences (to be pompous), and that weasel word ‘culture’, nor do I know why it matters that culture should not

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<sup>11</sup> “Social externalities of migration are more or less completely arbitrary individual evaluation of some personal feelings about immigrants. Consequently, they are hardly (if at all) measurable or comparable. ‘Social externalities’ is the term some economists use to dress up anything from urban crowding to xenophobia.”—Eichengreen, 1994:19.

continue to change (as it always has done, sometimes with speed and in interaction with the rest of the world). And I certainly do not know why it matters if the British get darker (or paler). The rather small number of British people today—9 out of 100—who are dark would suggest the prediction was pretty unlikely, since the reproduction rates of those of immigrant extraction tend in time to become the same as everybody else's, and no grounds for valid apprehension from those who prefer the pale.

What is more impressive in Britain than any cultural transformation is how rapidly there has emerged black and brown English, Scots and Welsh, or British, and how immensely tough and resilient is whatever we want to call 'British culture'. Currently there are worries about British Islam, but that religious phenomenon is mild indeed in comparison to the history of Christianity on these islands. I am confident that 'the British', whoever they are, will cope.

## The core problem

Finally, Coleman does not address the issue of why the problems to which changing immigration policies are a response, have arisen; we are, as a result, not able to consider longer-term policies to manage migration. I tried to suggest that the problems arise from the accelerating pace of global economic integration, undermining the domestic capacity to isolate the labour market (when other markets are being opened). The significant element here is irregular migration—and the ineffectiveness of controls to eliminate it—which Coleman does not deal with.

The US provides the most striking examples of the impossibility of reconciling increased movement in general with controls on one type of movement—with over 100,000 daily border crossings at San Ysidro in southern California, it is impossible to control one type of migration without serious economic damage to both economies (Straubhaar, 2000, p. 116). Low-skilled worker migration is a response to domestic labour shortages, which is why unemployment rates for irregular migrants appear—on the scattered evidence we have—to be so low. Current policies on education seem likely to make these labour deficits increasingly large. The more the British economy is integrated in the world at large, the greater the problems become of managing labour supply in isolation. Reversing global integration, the condition of restoring the capacity to manage labour

supply in the way Coleman wants, does not appear to be an option. With globalisation, the external context is continually equilibrating domestic changes through the movement of labour and capital (and the growth of a black economy)—and in this case, that means increasing irregular migration.

We return to the core problem—seeking to protect the welfare of the population and reconcile the contradictory interests at stake as the forces of integration continue to grow.

• DAVID COLEMAN

A long first response obliges me to be brief in my second. Topics ignored are not topics agreed; my views have been misrepresented on more points than I have space to contradict. For example, Harris is not elevating this exchange by asking me “how British citizens can be prevented from marrying foreigners”. I said no such thing. The point is about the true purpose of a union, where it is reasonable to settle afterwards and under what conditions.

A judgement about the level of flow of migrants need not depend on a judgement about optimum size of population. It is enough to show that the recent consequences are not beneficial. Does Harris believe in infinite population growth, as his comments might imply? The Royal Commission and the Population Panel both considered that an end to UK population growth would have advantages; the Parliamentary Select Committee on Asylum recently underlined the problems of today’s high levels of asylum inflow. Of course defining optimum population remains difficult. I did not attempt it, although others are not daunted. Neither did I suggest that the present situation is ideal; obviously not.

As to the Moses and Letnes paper (2002), I can only urge readers to judge its realism. What matters is not two hundred years of economic theory, but today’s European reality of the mediocre or negative results of mass migration. This debate is about the UK. They conclude that the migration which they advocate reduces incomes in rich countries. Exactly.

My comment about the “huge costs of the civil strife in receiving countries” is cited out of context. I referred to the likely consequences of the

movement of tens of millions of people necessary to realise the Moses and Letnes scenarios.

In a debate about the UK, it is irrelevant what proportion of the world's population are mobile. All that matters is the effect on the UK of high levels of migration, which is substantial.

I see few problems in managed skilled migration—indeed obvious if minor advantages—as long as it is not permanently institutionalised to the detriment of conditions and domestic training. Different studies disagree on the effects of immigration on the poor. Results are marginal either way; the apologists of migration being mostly concerned to show that migration does little economic harm. The UK suffers an excess of unskilled population, not a shortage. Much of it is unemployed; existing immigrants are already over-represented. If low-skill labour were scarce, then responses could include increasing wages, reforming welfare, automating the functions, exporting production, or simply abandoning the activity—like some marginal agricultural production.

These things are not easy; the only 'easy' option is immigration. Countries which survive on their competitiveness cannot advance by importing uneducated labour to perpetuate low-output activities. If such labour comes from non-European countries it creates a low-paid ethnic underclass, which would not long remain content to exploit themselves or their children as cleaners or in 'corner shops'. A less socially responsible policy could scarcely be imagined. And dreams that low-wage immigrants will give us more time on the golf course should be dismissed: early retirement will not be an option in the inexorably ageing European and eventually world population to come.

Yes, restricting Mexican immigration in the past did advance agricultural productivity (Martin, 1985). More recent US inflows owe much to pressure from the growing immigrant and other special interest lobbies, electoral outcomes favouring free-market views, and the unintended consequences of the US 1965 Immigration Act.

An immigrant is a person who has entered a country to stay at least 12 months, who has been absent from it for at least 12 months (UN, 1998). Thus I would have been an 'immigrant' statistic when I returned from VSO in Nigeria years ago. Within that broad demographic definition one can differentiate various groups for analysis. But to evaluate foreign migration as a whole it must all be included. It is all interconnected—labour

migrants bring dependants, earlier immigrants attract new ones through arranged marriage and other chain processes. Advocates of migration and open borders must defend the whole process and its consequences.

Harris should look beyond magazines such as the *Economist* for information on the complex problems of criminality and ethnicity. As to “xenophobia”, in the great debate about immigration, it sometimes seems that a ‘xenophobe’ is just someone who is winning an argument about immigration with a liberal.

I do not argue that the labour force does not matter. But in the UK its future numerical change will be slow and relatively benign. What matters today is quality and level of mobilisation, output and productivity per worker. Migration has a part to play. As in the past it will be minor, but with potentially negative consequences. Too easy an access to overseas labour can import poverty and distract from the need to reform labour markets and to train and improve the existing workforce. It risks distorting the economy through dependence on overseas labour and perpetuating poor conditions. A nation of 60 million should be self-sufficient in most labour needs most of the time.

The economic case is marginal. The important issues relate to social consequences. For Harris, ‘culture’ is a “weasel word”. But before he reaches for his revolver, he should reflect that others think it important. The inability of economists to measure processes does not imply their non-existence. The variety of beliefs, identities and attitudes of post-war migrant populations is great. Their (variable) persistence over generations is well-documented; that is why ‘ethnic’ as well as immigrant categories were introduced into public statistics (Peach, 1996). Growing numbers enable imported societies to perpetuate themselves, from Leicester to California. What benefits there for the domestic population? I wish I could share Harris’s optimism that “the British, whoever they are” will cope. Whether they are able to do so will depend much on the future level of immigration.

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