

Migration and the London Economy

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Outline

- The London Context: booms, busts and the ever-expanding metro-region
- The Cosmopolitanisation of London: rich, poor and A8s
- The Ins and Outs of Domestic Migrants
- Relating Migration to Economic Trends/Performance in London
- The Uncertain Future

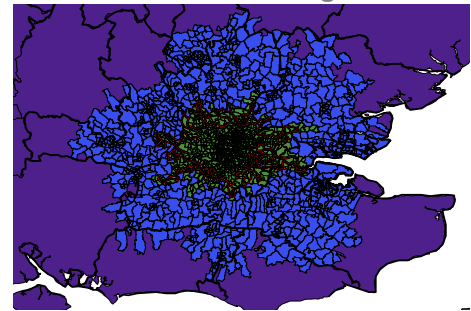


The Regional Context 1

- London as a city continually enlarging its effective area
 - First to accommodate population growth
 - Then (since 1940s) largely to provide for lower densities
 - for residents (as incomes rose) and firms (as productivity did)
 - enabled by transport network (and falling real travel cost)
- Peripheral expansion interrupted c. 1939 by Green Belt
 - Defined limit to Greater London → decline in its pop.
 - Leapfrogging of GB → (mostly unplanned) growth in towns in (increasingly) wider region (now the Greater South East)
 - Current population =
- Initially dependent on/supportive of the core city
 - Supplying labour directly (commuters) and indirectly (back offices)
- From 1980s on: increasingly an integral part of the capital/global city economy
 - Includes international HQs, most innovative/dynamic businesses
 - Linked (on west side) to residential concentration of high skills
- Net commuting into Greater London stabilised (at c. ??? K)
 - But gross flows in (to the centre) and out (from outer boroughs) still both increasing – now about ??? and ???



Greater London as the Core (only) of a Much Wider Functional Region



The Regional Context 2

- Economic trends in core city (Greater London) have been transformed over past 25 years
 - **Population decline** (c1% p.a.) halted in 1987 – and strongly reversed in last 10 years – direct/indirect effect of immigration
 - **Trend employment decline** (c1%p.a.) stopped c.1984
 - Effect of (growing) office sector overtaking (declining) goods production/handling + new flexible/global economy
 - Replaced by highly volatile boom and bust economy
 - **Higher Earnings/productivity**
 - Margin over rest of UK doubled – under Thatcher & Blair
 - With knock-on effects on house prices
 - **Processes not clearly linked** (e.g. in time)
 - Though (mostly) likely to reinforce each other

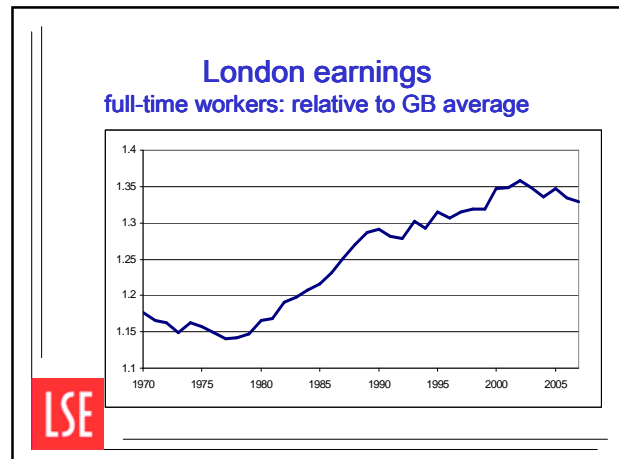


Sources of London population growth 2001-7

	Numbers (000s)	% of UK
Population mid-2001	7,322	12.4
Births	680	16.1
Deaths	327	9.2
Natural change (Births-Deaths)	353	50.0
Net migration from rest of UK	-575	..
Net migration from abroad	452	41.3
of which: asylum seekers	44	23.3
Total change	235	13.8
Population mid-2007	7,557	12.4

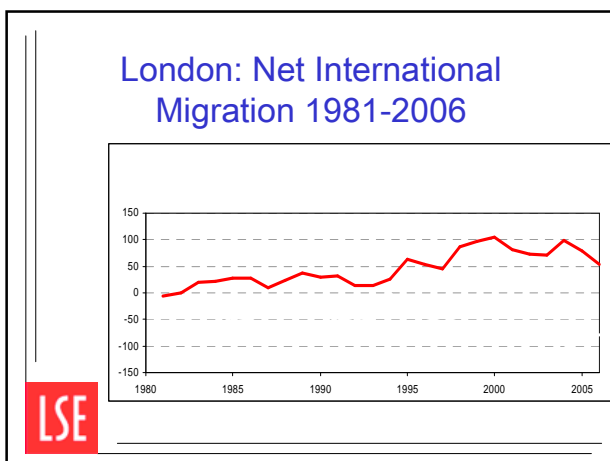
Source: Office of National Statistics





- ### The Regional Context 3
- Traditional ring structure of region:
 - Inner London, Outer London, Outer Metro Area, Rest of Greater South East
 - Job growth pattern
 - Up to 1980s = decline in middle: fast growth at edge
 - Now = growth in centre too: with stagnation in OuterL
 - Residential patterns
 - Up to 1980s – tradition Anglo-American structure
 - Poor in the middle: rich in OMA/RoGSE
 - Reinforced by public housing location
 - Young/childless in middle: families further out
 - Life cycle pattern for potential owner-occupiers
 - Now:
 - Gentrification of inner areas
 - Now highest status ring, for those in work/without families
 - But still largest concentration of deprived & poorest families
 - Outer London now lowest status ring
 - East-west divide = no change – but spread across region

- ### International Migration
- **New international migration since 1980s has been:**
 - More spontaneous / less managed than in 1950s/60s
 - Much more diverse, in motives, skills, origins/paths
 - More concentrated on major cities with existing communities and dynamic labour markets
 - **London:**
 - typically received 30% of UK gross (up to 200k p.a.) and 40% of UK net (up to 100k p.a.) – though share has been falling in recent years
 - conventional estimate of illegals would add c.15% only to flow
 - proportion of foreign born doubled over 20 years, to almost 1/3
 - With much wider spread of origins / languages (inc. both French and Francophone Africans) and fewer imperial connections than earlier
 - two special groups:
 - Asylum seekers – now radically cut back in numbers
 - A8 migrants (especially Poles) since mid-2004
 - tho' London less important for this group than any other (or earlier Poles)
 - but basic phenomenon is much more general and very diverse:
 - except for their youth
 - has been generally positive (so far)
 - 1st (left) Mayor very proactive for diversity; 2nd (right) campaigning for amnesty
 - Business service employers worried about new controls
 - Polls represent public as rating cosmopolitanism of the city highly



The Cosmopolitanisation of London's Population 1986-2006

	1986	2006
Foreign born population	1.17 million	2.23 million
Proportion of Total	17.6%	30.5%
Share Coming from former British territories	76%	59%
Dominant origins:		
Number of countries contributing majority of migrant stock	6	15
	Ireland, India, Kenya, Jamaica, Cyprus, Bangladesh	Previous 6 + Nigeria, Poland, Sri Lanka, Ghana, South Africa, Pakistan, Somalia, USA, Turkey

Source: Labour Force Survey

The Dynamics of International Flows

- Migrants come from everywhere – with similar youth and education level – but key difference:
 - those from poor countries:
 - Strong push factors + desire for better econ opportunities
 - Relatively insensitive to econ fluctuations at destination
 - Great majority stay permanently
 - those from rich countries:
 - Are pulled more by desire for experience / advancement
 - Much more sensitive to job opportunities
 - Great majority move back/on within months/years
- A8s are a confusing anomaly (poor Europeans):
 - can come and go freely, but without other privileges
 - majority came as visitors and have gone home (1+ times)
 - Others may well be settling – despite stories of 'recent' returns, little/no solid evidence

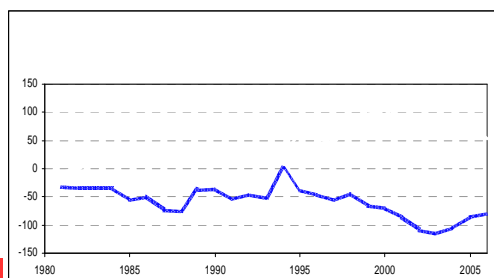
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Migrants to/from Rest of UK

- London gains young people (largely 20-24 yrs) in substantial numbers from across the country and loses both children and over 30s in larger numbers – mostly to neighbouring regions
 - Retirement migration is significant, but the minor part of this
 - Primarily the losses are 30-44 yrs + (presumably) their children
 - Traditionally out-movers kept their London jobs to start with and shifted those only gradually – now a substantial minority seem to be changing jobs as they move
 - These are basically quality of life moves – but substantially conditioned by house price differentials (increasing when gaps widen)
- Travel to work patterns for central London residents suggest within London homes are preferred not only by young/single (+ lower paid) but also by graduates and migrants/minorities – all growing groups
- Migration to the region as a whole is very selective by occupation and education
 - 60% of working age migrants into London have degree level qualifs
 - London's net losses to its neighbours are almost all (87%) non-graduates
 - For other regions it gains graduates (only) and clearly loses least educated

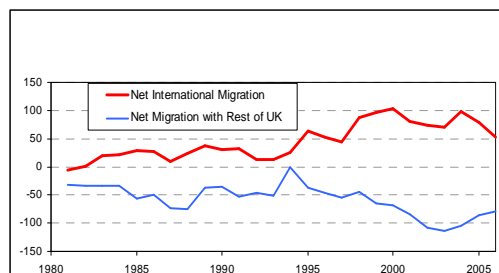
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London: Net Migration Balance with Rest of UK 1981-2006



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London: Interaction of Domestic and International Migration



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Relating Domestic and Overseas Flows

- As well as house price effects, there is a correlation between domestic outflows and overseas inflows
- Some of this might include a 'white flight' element – if not a vocal one
- But the causal/numerical connection must lie in competition for space – literally displacement
- Statistical analyses (by Hatton) for south eastern regions suggest about 50% displacement (looks more for London)
 - Logic of partial displacement is that (new) immigrants choose to occupy less space (cf lower headship rates)
 - Without this, immigration might not affect London pop. levels, only that in its neighbours

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Migrant Impact on the London Economy 1

- Migrants (home and foreign) supply the basic human capital required by city's knowledge industries
 - Only 25% of graduate workers born in London, 45% from rest of UK, 30% from abroad (though 40% of growth)
 - Mostly cannot be coming for higher real wages (except those from poor countries)
 - either to consume metropolitan experience;
 - or to develop on the job and move up London 'escalator'
 - via combination of 'cutting edge' jobs & open/competitive labour market
 - selectively draws in those with these ambitions
 - many of whom move back 'home' or to less stressful environments when process completed (by 40)
 - but their presence in learning years is crucial to non-routine activities

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Migrant Impact on the London Economy 2

- Migrants from low wage countries might lower wages or increase unemployment for 'Londoners'
 - but no evidence of this impact in relation to labour market as whole
- In bottom quintile of jobs, where half of 'poor country' migrants go initially, there are some clear effects, however:
 - Real/relative wages have been lowered by 15% or so
 - The lower price has then added similar amount to jobs in this segment (may well be what happened in 1980s 'global' NYC)
- US evidence suggests likelihood of wider boosts from 'diversity' to innovation, entrepreneurship and productivity
 - no relevant London evidence yet
 - but for C19 and C20 waves of migrants, entrepreneurship effects were much more evident in NY/US than London/UK



Looking into an Uncertain Future

- Basis of Mayoral Plan for London is:
 - continuing strong population and employment growth
 - including continuation of present migration trends (nos. since lowered because of revised estimate of London's current share)
 - and accommodation of these people/jobs within London
- One question has been: will they all actually choose to live there
 - partly depends on capacity in terms of (acceptable) housing space
 - one aspect is whether migrants will still accept higher densities:
 - some evidence for convergence over 20 years
 - if not, displacement will rise from 50%-100%
- Another question is: will they stay/continue to come – given economic trends: (a) during recession; (b) if only partial recovery:
 - my hunches are:
 - recession will be deep/slow, but with once for 'all' impact on numbers from rich countries only – not those from poor countries
 - London economy will very largely recover (even finance) – and flows from rich countries will follow it
 - Since no reason for a fundamental weakening of either agglomeration economies – or the attraction for the educated young of vibrant metropolitan areas

