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Planning Design Economics

**Yorkshire and Humber RSS
Examination in Public**

**The Role of Economic Activity as a
Driver of Migration and Household
Formation**

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1.0 INTRODUCTION

1.1 This Literature Review has been prepared by Nathaniel Lichfield & Partners (NLP) for use as a background document in the library for the Yorkshire and Humber Regional Spatial Strategy (RSS) Examination in Public (EiP).

1.2 The document includes a summary of the following academic work examining the role of economic activity as a driver of both migration and household formation:

- *A Changing Demographic Regime and Evolving Polycentric Urban Regions: Consequences for the Size, Composition and Distribution of City Populations*, A. Champion (2000)
- *Attracting and Retaining Talent: Lessons for Scottish Policy Makers from the Experiences of Scottish Expatriates in Dublin*, M.Boyle and S.Motherwell (2005)
- *Circular Projections: Household Growth, Housing Development and the Household Projections*, G. Bramley and C. Watkins (1995)
- *Counting the Counterurbanisers – Reasons for Continuing Metropolitan Out-Migration in the UK over the 1990's*, J. Allinson (2003)
- *Economic Research on the Determinants of Immigration: Lessons for the EU*, G.J. Borjas (1999)
- *Housing Demand and Need in England 1991-2011*, A. Holmans (1995)
- *Housing Levels may Need Firmer Figures*, L. Baker (2000)
- *Migrants in the UK: Their Characteristics and Labour Market Outcomes and Impacts*, J. Kempton (2002)
- *On the Move: the Housing Consequences of Migration*, Edited by R. Bated, R. Best and A. Holmans (2000)
- *The Celtic Tiger: Origins and Prospects*, D. McAleese (2000)
- *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence*, A. Champion, S. Fotheringham, P. Rees, P. Boyle and J. Stilwell (1998); and
- *Urban Exodus*, A. Champion, D. Atkins, M. Coombes and S. Fotheringham (1998).

1.3 The Literature Review is structured as follows:

- Current Migration Patterns
- Types of Migrants

- Migration, Economic Activity and the Celtic Tiger
- Household Formation Rates; and
- Conclusions.

2.0 CURRENT MIGRATION PATTERNS

Introduction

2.1 This section of the document outlines the key migration flows within England and examines the factors which drive these population movements. *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence*, A. Champion et al indicates that there are two principal types of migration within England:

- Internal migration; and
- International migration.

2.2 The study hypothesises that migration behaviour is principally driven by labour market conditions, the supply of and price of housing, environmental and quality of life considerations and that the relative importance of each varies between types of migration. This section examines the drivers of both internal and international migration.

Internal Migration

2.3 The A. Champion et al study discussed above states that internal migration is made up of both long distance and short distance population movements and is influenced by the age composition of an area (with younger people typically more mobile) and by the circumstances at a migrant's origin and destination. For instance, people may move from an area of high unemployment to an area with more jobs or from an area dominated by terraced housing to more suburban locations.

2.4 Short distance migration is understood to be driven primarily by housing factors, with people moving to an area which offers housing of a suitable size for their life stage or to an area where the housing is felt to offer better value for money.

2.5 With respect to long distance migration, however, labour market factors at the origin and destination are believed to be of vital importance. People migrating longer distances tend to do so in pursuit of more jobs, higher wages and more employment opportunities in growth sectors of the economy. Clearly, in this instance, there is a link between migration and economic activity.

- 2.6 The drivers of long distance migration outlined above appear to explain one of the key current migration flows in England: the movement of people away from the North of England to the more prosperous regions in the South of the country.
- 2.7 The link between economic activity and migration and the existence of a north-south divide are also acknowledged by *Circular Projections: Household Growth, Housing Development and the Household Projections*, G. Bramley and C. Watkins. The study hypothesised that net migration was likely to be driven by the following:
- Geographical location
 - Environmental attractiveness
 - Labour market conditions
 - Housing supply; and
 - Housing cost.
- 2.8 It should be noted that the above variables have not been listed in order of importance.
- 2.9 With regards 'geographical location,' the document highlights that "*certain broad regional and area patterns are exhibited in the patterns of migration in Britain, particularly the 'north-south divide'...people are tending to move southwards.*"
- 2.10 In rationalising the hypothesised link between migration and labour market conditions, the study states that "*the link between migration and employment/unemployment has long been recognised.*" All other factors being equal, it is understood that people will want to migrate to areas with:
- More jobs
 - More employment growth
 - More jobs in the growth sectors of the economy; and
 - Higher wages.
- 2.11 This clearly concurs with the drivers of long distance migration outlined in *Circular Projections: Household Growth, Housing Development and the Household Projections* and helps to understand the current flow of English migrants from north to south and the more recent positive migration in the north. A more prosperous

economy and buoyant economic climate appear to be key factors in attracting migrants.

- 2.12 In addition, an analysis of net migration (the balance of inflows and outflows of migrants) undertaken as part of Bramley and Watkins' study validates the hypothesis relating to labour market conditions: net migration is typically low or negative in declining industrial areas, where there tends to be fewer employment opportunities.
- 2.13 *Circular Projections: Household Growth, Housing Development and the Household Projections* employed regression analysis to examine the influence on migration of the drivers identified above. The regression equation developed by Bramley and Watkins has an R^2 of 0.825, which means that there is a strong correlation between net migration levels and the drivers outlined above. R^2 is a measure of the predictive power of a regression equation and a value of 0.825, which is relatively high, suggests that the model accurately represents the relationship between net migration and the drivers.
- 2.14 The model highlights that housing supply factors appear to exert the greatest influence on net migration. The number of new private houses per thousand homes, average house prices and household dissolutions¹ are all statistically significant to the 1% level. This means that we can be 99% certain that the association between each of these drivers and net migration did not occur by chance or error.
- 2.15 A composite indicator² comprising of measures of low income, social class and other related values was found to be statistically significant at the 5% level, meaning a 95% certainty level that the association between the indicator and net migration did not occur by chance or error. This is consistent with the hypothesised migration pattern away from lower income, more working class areas.
- 2.16 However, local employment growth and unemployment rates were not found to be statistically significant at the 1, 5 or 10% level³. This indicates that these variables do not have a significant effect on net migration, contrary to the hypotheses outlined previously.

1 The break-up of households, through divorce and separation etc

2 A composite indicator is a single index made up of a series of individual indicators

3 The 5% level is the standard confidence level adopted for empirical research

- 2.17 The empirical results of the Bramley and Watkins study appear to suggest that migration is influenced by housing supply factors rather than employment related issues.
- 2.18 The document states that the main substantive conclusion of the regression analysis is that net migration is “*systematically influenced by local housing market and supply conditions.*” The study indicates that increased house prices reduce net migration to an area, whilst districts with a lot of new private housing attract more in-migration. For instance, the regression analysis indicates that for every 10 units of new private housing completed, approximately 4.6 additional net in-migrant households are attracted.
- 2.19 A. Champion et al also employed regression analysis in the *Urban Exodus* study to examine the statistical relationships between the socio-economic characteristics of an area and its performance with respect to migration.
- 2.20 The study revealed that out-migration from metropolitan to non-metropolitan areas was driven by the following, listed in order of importance:
- Standardised mortality ratio⁴ (negative)
 - Closeness to non-metropolitan areas
 - People aged 50-64 years old (negative)
 - Population density
 - Negative equity; and
 - Social class I and II.
- 2.21 With respect to in-migration from non-metropolitan to metropolitan areas, the following, again listed in order of importance, were found to be key variables:
- Closeness to non-metropolitan areas
 - People aged 25-34 years old
 - Recent immigration
 - White ethnic origin

4 Standardised Mortality Ratio; the rate of deaths relative to national average rates after adjustments have been made for the age structure and relative social status (or deprivation) of the study population.

- Social Class I and II
 - Standardised mortality ratio (negative); and
 - Negative equity.
- 2.22 The results clearly show that people nearing retirement age typically move out of the metropolitan areas whilst people aged 25-34 years old are more likely to move into the metropolitan areas. The latter represents a key demographic in terms of economic activity. 25-34 year olds are likely to be attracted to metropolitan areas because of the employment and recreation opportunities afforded by such locations. The migration patterns of retirees and the economically active are discussed in greater detail in Section 3.0.
- 2.23 The principal conclusion of *Urban Exodus*, however, relates to the importance of geographical context, with ‘closeness to non-metropolitan areas’ emerging as a strong determinant of both in and out-migration. This indicates that the key factor in migration between metropolitan and non-metropolitan areas is their proximity to one another.
- 2.24 This suggests that many of the migrants leaving metropolitan areas do not migrate over great distances and it is probable that they remain within the same travel to work area, moving out of the metropolitan area to find a house that is appropriate for their current life stage.
- 2.25 Additionally, regression analysis was also used in *Counting the Counterurbanisers – Reasons for Continuing Metropolitan Out-Migration in the UK over the 1990s*, J. Allinson, to develop a better understanding of migration exchanges between cities and other, non-metropolitan areas. The study determined that the following key variables exert an influence on in-migration from non-metropolitan to metropolitan areas. The factors are listed in order of importance:
- Private rented stock
 - Average salary
 - Overall population; and
 - People aged 50-64 (negative).
- 2.26 This illustrates that areas that experience high levels of in-migration tend to be wealthy, populous and with a younger demographic profile and a high proportion of

private rented stock, which provides accessible housing for in-migrants. The report states that:

“Unlike the findings of Urban Exodus, the length of border with non-metropolitan areas does not emerge as a significant factor associated with migration. Thus the message appears to relate migration to prosperity.”

- 2.27 This in turn appears to relate economic activity to migration as rates of economic activity are typically higher in those prosperous areas with high average salaries. However, the study does also suggest that housing market factors, particularly the availability of private rented stock, exert a strong influence upon migration patterns.
- 2.28 If it is the case that employment and economic activity influence net migration, then the improved economic performance of the northern regions would help to reduce the migrant flow from northern England to the south of the country.
- 2.29 Evidence suggests that the economic renaissance of the northern regions will reduce the outflow of migrants to the south of England. The article *Housing Levels May Need Firmer Figures*, L. Baker (August 2000) states that the South West Regional Assembly have, in their draft Regional Planning Guidance (RPG), predicted a 10% reduction in in-migration to the region because of an Urban Task Force report which predicted a more even distribution of economic opportunities between the north and south. The article does not, however, make it clear whether this more even distribution of economic opportunities is anticipated to arise as a result of higher rates of growth in the north or due to a slower rate of growth in the south.
- 2.30 In addition, the Association of North East Councils, in submitting their proposed housing provision for the RPG, has assumed that the regional economy will perform better than over the period which the official household projection figures are based upon. As a consequence they are recommending the provision of greater housing as improved economic performance is anticipated to stem out-migration from the region.⁵
- 2.31 This suggests that economic activity does not only play a key role in attracting migrants but also in retaining population: the improved economic performance of the North East is projected to reduce the number of people leaving the region.

⁵ Source: *Housing Levels May Need Firmer Figures*, L. Baker (2000)
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2.32 However, if housing market factors drive migration then migration flows could be reduced through increased new build and measures to increase the provision of affordable housing in the areas suffering significant population losses at present.

International Migration

2.33 Although international migration is considered in *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence*, the document highlights that the determinants of this phenomenon are not well understood in comparison with internal migration.

2.34 Since the early 1980's, England has switched from being an emigration country to one of net in-migration and this is anticipated to continue. Figures released by the Government Actuary's Department project a 7.2 million rise in the UK's population over the period of 2004-2031 and it is anticipated that 4.1 million of this increase will be as a result of net in-migration.

2.35 In the 1950's and 1960's, international migration comprised largely of departures to the New World and arrivals from the New Commonwealth and was primarily job-related. The profile of international migrants is now very varied and geo-political influences exert a strong influence on migration patterns. For instance, many in-migrants to the UK are now refugees from war zones or people seeking political asylum.

2.36 As a consequence, less international migration appears to be job-related at present. *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence* estimates that work now accounts for approximately 33% of out-migration and 20% of in-migration. Although no comparative figures from the 1950's and 1960's are provided, it is understood that these figures represent a significant decline vis-à-vis the earlier period.

2.37 The study⁶ states that net in-migration in England is concentrated “*in London and a few other cities.*” At a regional level, the majority of people migrating to England from overseas settle in the South East and West Midlands. The South West, East Anglia and East Midlands also gain from international exchanges, albeit to a lesser extent. The three regions of northern England, however, average very little net change

6 *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence*, A. Champion et al (1998)

through international movements, according to the study, published in 1998. The study does not, however, indicate over what time period these trends have been observed.

- 2.38 Although job-related international migration is less prevalent than in the 1950's and 1960's, the preferred destination of in-migrants indicates that economic activity and employment opportunities do still have an influence on where these migrants decide to settle. The majority of in-migrants to England settle in London or other cities and large metropolitan areas would be likely to provide more job opportunities.
- 2.39 In addition, the study states that in-migration is concentrated in the south of the country, where rates of economic growth are higher. The north, which has historically underperformed in economic terms relative to the national average, experiences very little net change through international migration exchanges.
- 2.40 It should, however, be noted that the study was published in 1998 and international migration flows to the north of England appear to have increased since then. For instance, ONS figures show that net international in-migration to Yorkshire and the Humber has risen from less than 5,000 in the late 1990's to in excess of 10,000 people per annum.
- 2.41 Given that international migration is strongly influenced by government policy and geo-political factors, it is difficult to establish whether this increased level of net migration to the northern regions is likely to continue. Future monitoring of international migration flows will help to establish whether this is the case.
- 2.42 However, it should be noted that established migrant communities help to create social and cultural ties which attract future migrants. In addition, further inflows may be driven by migrants' families moving over once they have settled in the area. Consequently, the significant increase in international inflows to Yorkshire and Humber experienced in recent years may help to maintain strong future in-migration to the region.

Summary

- 2.43 The key findings of this section are summarised below:

- Migration flows can be categorised as internal or international movements

- *Internal* migration consists of both short and long distance population movements
- Short distance migration is typically driven by housing-related factors
- Long distance flows are strongly influenced by labour market factors such as employment levels and average wages and this helps to explain the traditional flow of English migrants from north to south and the more recent in-migration to the north of England
- Public agencies have forecast that a more even distribution of economic opportunities between the north and south of England will result in less out-migration from the north and a reduction of in-migration to the south
- Statistical analysis indicates that migration is driven by a combination of socio-economic factors and housing supply
- England has switched from being a net exporter of *international* migrants in the 1980's to a net importer and this trend is expected to continue
- International migration in the 1950's and 1960's was primarily job-related. The profile of migrants is now more varied, with geo-political influences having a strong impact on migration patterns; and
- The net in-migration to England is concentrated on London and a few other cities. At a regional level, London and the West Midlands experience the largest net gains, whilst net inflows to the northern regions have increased in recent years.

3.0 TYPES OF MIGRANTS

Introduction

3.1 This section of the document examines the different types of migrants that exist and the key issues that drive these population movements. The section is structured according to the different types of migrating households identified in *A Changing Demographic Regime and Evolving Polycentric Urban Regions: Consequences for the Size, Composition and Distribution of City Populations* and consequently examines types of migrant according to the following headings:

- Households Containing Only Older People
- Households with Children of School Age; and
- Households Containing Working-Age Adults Only.

Households Containing Only Older People

3.2 *A Changing Demographic Regime and Evolving Polycentric Urban Regions: Consequences for the Size, Composition and Distribution of City Populations* states that retirement migration, i.e. the movement of people of or nearing retirement age is influenced by factors other than economic activity. As daily trips to work are no longer a necessity, retirement migrants often move out of the urban area to express their housing choices, typically seeking areas with more attractive landscapes, good services and a slower pace of life.

3.3 This reinforces the findings of the *Urban Exodus* study, which found that people aged 50-64 are less likely to live in metropolitan areas. Surveys undertaken by the Glasgow Quality of Life Team (Rogerson, 1997) discovered that the aspects most highly valued by British people aged 65 and over are:

- Quality of local health care
- Absence of both violent and non-violent crime
- Low cost of living; and
- Low pollution.

- 3.4 It should be noted that retirement migration is normally the privilege of owner occupiers, who are able to realise substantial equity by selling family-sized homes in more expensive metropolitan areas and buying a smaller house in their preferred location.

Households with Children of School Age

- 3.5 *A Changing Demographic Regime and Evolving Polycentric Urban Regions: Consequences for the Size, Composition and Distribution of City Populations* highlights that numerous surveys regarding the neighbourhood preferences of households with children of school age emphasise the importance of access to good schools and healthcare facilities and the absence of violent crime, along with employment-related considerations.
- 3.6 As a result, households with children of school age have traditionally sought to express their housing choices in the suburbs. Such households need to locate in close proximity to the employment opportunities of metropolitan areas, however, choose to live on the periphery because other factors as outlined above are as important to them as employment considerations.
- 3.7 The study suggests, however, that the increased participation of women in the workforce is reducing the traditional trend for households with children of school age to choose to live in a suburban environment. A. Champion states that the increasing trend for mothers to work through their family building years provides additional income which helps families to access the private sector for nursery care and primary schooling, thus reducing the lure of the traditional suburb.
- 3.8 Additionally, the increased proportion of women with no intention of having children means that reduced proportion of households are seeking accommodation in suburban type environments.

Households Containing Working-Age Adults Only

- 3.9 The migration behaviour of DINKY households (Dual Income, No Kids Yet) is also examined within *A Changing Demographic Regime and Evolving Polycentric Urban Regions: Consequences for the Size, Composition and Distribution of City Populations*. The study reveals that these households, which contain working-age

adults only, are in a life stage such that their 'wants' are more similar to those traditionally sought by young people than those of households with children.

- 3.10 The principal location of employment opportunities and urban-based recreational activities provide the greatest attraction for this group and as a consequence, they are typically drawn to the 'bright lights' and job prospects of large metropolitan centres.
- 3.11 It can be assumed that the factors influencing the migration decisions of this group will be similar to those of young single adults. These represent two significant groups in terms of household formation activity and it can be seen that their migration activity is driven by levels of economic activity.

Migration: Spatial Flows

- 3.12 The above paragraphs clearly indicate that different households migrate for different reasons, which can be broadly categorised as being either economic or housing market factors.
- 3.13 Much of the population movement within England is intra-regional, with households migrating from one location to another within the same region, i.e. moving from Leeds to Malton whilst remaining resident within Yorkshire and the Humber. However, there are also a smaller, though not insignificant number of migrants who migrate from one region to another. This is known as inter-regional migration.
- 3.14 The research summarised in this document appears to indicate that inter-regional migration is driven by economic activity and employment opportunities, whereas intra-regional flows are more likely to be influenced by housing market factors.
- 3.15 *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence* states that housing market factors form the chief motive behind short distance moves, with people moving to an area which offers better value housing or housing of an appropriate size given their life stage. The majority of short distance moves will be intra-regional, apart from in some instances whereby people living near to regional boundaries may move a relatively short distance but into a different region.
- 3.16 The study also hypothesises that long distance population movements, which are likely to be inter-regional, are driven principally by the labour markets at the origin and destination. People typically migrate longer distances in pursuit of more jobs, higher

wages and more employment opportunities in the growth sectors of the economy. The idea that inter-regional migration is influenced by economic activity is reinforced by the work reviewed above with respect to north to south population flows.

3.17 The article *Housing Levels May Need Firmer Figures* revealed that a more even distribution of economic opportunities between the north and south of the country has been forecast to result a reduction of out-migration from the North East and a decline in in-migration to the South West. This suggests that a significant proportion of north-south migration is driven by disparities in economic activity.

Summary

3.18 The key findings of this section are summarised below:

- Households containing only people of or nearing retirement age typically move out of urban areas in favour of more attractive areas with good services and healthcare provision, as well as low levels of crime
- Households with children of school age have traditionally favoured suburban housing environments. These households need to locate in close proximity to the employment opportunities of metropolitan areas but choose to live on the outskirts of the urban area due to the importance they place on other factors such as good schools and low levels of crime
- The increased participation of women in the workforce is reducing the lure of the suburbs for families with children; and
- The migration decisions of DINKY⁷ households are driven by economic activity, with these households typically attracted to the employment and recreation opportunities offered by metropolitan areas.

7 (Dual Income, No Kids Yet)
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4.0 MIGRATION, ECONOMIC ACTIVITY AND THE CELTIC TIGER

Introduction

- 4.1 The Celtic Tiger phenomenon, which refers to the rapid economic growth experienced by the Republic of Ireland since 1993 reinforces the notion that economic activity is a key driver of migration. In addition, the phenomenon suggests that the two may be linked in a 'virtuous circle,' with economic activity fuelling migration, which then in turn helps to drive further economic growth. This section of the report examines the role that economic growth played in the rapid growth of the Celtic Tiger and the impact of migration upon economic activity. Additionally, the section also examines the key determinants of migration into the UK and the impacts of migrants upon the UK economy.

The Celtic Tiger

- 4.2 *The Celtic Tiger: Origins and Prospects*, D. McAleese suggests that without significant net migration into Ireland following the recovery of the nation's economy the "boom may never have gathered momentum or been sustained."
- 4.3 The Republic of Ireland has traditionally suffered from net out-migration; however, it began to become a significant net importer as the economy's performance improved in the mid-late 1990's. This increase in economic activity was crucial in attracting migrants to the country: *Attracting and Retaining Talent: Lessons for Scottish Policy Makers from the Experience of Scottish Expatriates in Dublin*, M. Boyle and S. Motherwell suggests that the buoyancy of the Irish labour market was a key factor in attracting in-migrants. This again indicates that a link exists between economic activity and migration, with people moving to Ireland because of the ready availability of appropriate employment opportunities in Dublin.
- 4.4 The in-migration of skilled workers and the return of expatriates who had left Ireland because the country could not previously offer them the jobs they desired were vital in sustaining the economic growth, according to Boyle and Motherwell. D. McAleese states that approximately one third of out-migrants from Ireland in the 1980's were "bright, English-speaking and motivated graduates" who left the country because there were no jobs available for them. However, following the improved performance

of the country's economy, many of these migrants have returned to Ireland with improved skills and greater experience to help drive further economic growth.

- 4.5 The fresh pool of skilled labour resulting from this in-migration helped to plug any emerging gaps in the labour market as a result of high levels of growth, which would otherwise have slowed down the economic boom.
- 4.6 The evidence clearly suggests the existence of 'virtuous circle' between economic activity and migration: the improved economic performance of Ireland resulted in a buoyant labour market which attracted skilled in-migrants to the country. This in turn has helped to fuel further economic growth.
- 4.7 Although *The Determinants of Migration Flows in England – A Review of Existing Data and Evidence* (1998) states that a far smaller proportion of international migration is now job-related, this does not appear to have been the case in Ireland throughout the 1990's. The improved quality of jobs and the buoyancy of the labour market throughout the 1990's have been found to have been key determinants in most peoples' decision to migrate to Ireland.

UK Migration and the Virtuous Circle

- 4.8 Although no phenomenon such as the Celtic Tiger has been identified with respect to the UK, recent evidence suggests that increased economic growth in the UK can result in greater levels of migration and that this can help to fuel further economic growth.
- 4.9 *Economic Research on the Determinants of Immigration: Lessons for the EU*, G. Borjas (1999) highlights that academic research has traditionally assumed that migration decisions are motivated by an individual's desire to maximise their economic opportunities.
- 4.10 In basic terms, this desire to maximise economic opportunities results in a flow of migrants from low-income countries to high-income countries. As a consequence the document highlights the fear that any further expansion of the EU through accession will result in increased migration from new member states to established EU nations such as the UK, and that this flow will be driven by wage differentials.

- 4.11 In addition, Borjas states that an individual's economic opportunities with reference to migration are largely shaped by income opportunities and the likelihood of periods of long term unemployment. Clearly, this would suggest that the buoyancy of a potential destination's economy and labour market significantly influence migration decisions. Therefore strong economic growth in the UK is likely to increase the level of in-migration.
- 4.12 *Migrants in the UK: Their Characteristics and Labour Market Outcomes and Impacts*, J. Kempton (2002) indicates that any influx of migrants to the UK could contribute towards further economic growth. The report states that in-migrants to the UK "*help to raise output by expanding the supply of labour and filling recruitment difficulties.*" For instance, low skilled workers can fill recruitment difficulties emerging in low skilled jobs and this, Borjas argues, allows the resident population to then specialise on the tasks which they are comparatively better at.
- 4.13 However, not all in-migrants to the UK are low skilled workers who can fill recruitment difficulties emerging in low skilled industries. Kempton found that migrants to the UK are very polarised with regards qualification levels; a higher proportion of migrants have a degree compared to the UK-born population, whilst there are also a higher proportion (relative to UK born residents) of migrants in the UK with no qualifications at all.
- 4.14 Consequently, a high percentage of migrants to the UK are highly skilled graduates and these can also help to drive further economic growth. In particular, the immigration of skilled workers helps to staff universities, hospitals and scientific laboratories. Indeed, Kempton states that in 2000, in-migrants accounted for 27% of health professionals in the UK and 9% of teaching professionals.

Summary – needs updating

- 4.15 The key findings of this section are summarised below:
- An analysis of economic growth and net migration in Ireland since the early 1990's indicates that economic activity and migration are linked in a 'virtuous circle'
 - As the economic performance of the country began to improve in the 1990's, Ireland shifted from being a net exporter of migrants to a net importer

- The buoyant labour market created by improved economic performance is understood to have played a vital role in attracting skilled in-migrants to the country
- Many of the in-migrants were expatriates who had left the country because of a shortage of suitable jobs prior to the economic upturn. They subsequently returned to Ireland with increased skills and greater experience
- The influx of skilled in-migrants resulting from Ireland's strong economic performance helped to drive further economic growth
- Strong economic growth in the UK is likely to increase in-migration to the UK as migrants typically move to the country where they can maximise their economic opportunities
- In-migration to the UK can help to drive further economic growth by raising levels of output
- Low skilled migrants fill recruitment difficulties with respect to low skilled jobs, which allows the indigenous population to specialise on the tasks that they are comparatively better at; and
- High skilled migrants help to staff universities, hospitals and research laboratories.

5.0 HOUSEHOLD FORMATION RATES

Introduction

- 5.1 This section of the document examines the link between economic activity and household formation rates. The section provides a summary of previous research which used empirical analysis to determine the key drivers of household formation.

Household Formation Rates

- 5.2 *Housing Demand and Need in England 1991 – 2011*, Alan Holmans, acknowledges the likelihood of real income levels and employment opportunities having an effect on rates of household formation.
- 5.3 The report states that *“there is nothing improbable about the demand to live independently being influenced by income, and perhaps employment opportunities.”* This appears to make intuitive sense, as a more prosperous economy with higher levels of average income will provide more people with the means to set up their own home, rather than live with family or friends. Clearly this will then cause household formation rates to increase.
- 5.4 An analysis of gross household formation rates by location appears to support the above hypothesis. Research contained within Bramley and Watkins’ study found that gross household formation rates are highest in the fastest growing, affluent counties of the Greater South East. Bramley and Watkins suggest that this *“reflects a combination of affluence enabling people to set up a good home, a good supply of housing and also the interaction effect with migration: these areas receive a lot of net in-migration from those lower age groups who are forming new households.”*
- 5.5 This clearly shows that economic growth, and the resultant higher wages and employment levels allow more people to set up home, thus increasing rates of household formation. In addition, this also suggests that the level of net migration and the demographic profile of migrants affect the household formation rate in an area.
- 5.6 Similarly, the *Circular Projections: Household Growth, Housing Development and the Household Projections* study also found that gross household formation rates are

lowest in “economically depressed metropolitan counties” such as Merseyside and the West Midlands. This is because these areas have lower income and less employment to enable people to set up home and again illustrates the link between economic activity and household formation.

- 5.7 Empirical analysis included within *Circular Projections: Household Growth, Housing Development and the Household Projections*, also suggests that economic activity impacts upon household formation. The regression equation produced by the study has an R^2 of 0.697, which means that there is a correlation between household formation rates and the drivers outlined in Paragraph 2.7. R^2 is a measure of the predictive power of a regression equation and a value of 0.697 suggests that the model represents the relationship between household formation rates and the drivers reasonably accurately.
- 5.8 A composite indicator⁸ comprising of measures of low income, social class and related variables was found to be statistically significant at the 1% level. This means that we can be 99% certain that the association between the indicator and net migration did not occur by chance or error. This indicates that income and social class have a substantial effect on gross household formation, with higher rates in affluent areas.
- 5.9 In addition to the composite indicator discussed above, the following drivers were also found to be statistically significant at the 1% level:
- The proportion of the population aged 15-29
 - Household dissolutions⁹; and
 - The number of new private housing units per thousand households.
- 5.10 This appears to make intuitive sense: the 15-29 age group is the key demographic in terms of household formation, with most people who set up home falling into this age range. Therefore, a higher proportion of the population within this age range would be expected to result in a higher rate of household formation. With respect to household dissolutions, it is to be expected that a greater number of household break ups, through marital breakdown etc will also result in higher household formation as one household will then become two.

8 A composite indicator is a single index made up of a series of individual indicators

9 The break up of households through divorce, separation etc

5.11 Variables relating to the labour market, however, were found to be marginal, with neither variable statistically significant at the 10, 5 or 1% level. This indicates that the level of unemployment in an area may not have a strong effect on household formation rates.

Summary

5.12 The key findings of this section are summarised below:

- Household formation rates are highest in prosperous, fast growing areas. The high levels of average income in these areas provide more residents with the means to set up home on their own. Also, prosperous areas attract significant in-migration from those lower age groups amongst whom rates of household formation are typically high
- Statistical analysis confirms that income and social class are key drivers of household formation; and
- Statistical analysis also indicates that the proportion of residents aged 15-29, the number of household break-ups through marital breakdown etc and the provision of new private households also exert a significant influence upon patterns of household formation.

6.0 CONCLUSIONS

Introduction

- 6.1 This section of the document summarises the key findings of the preceding sections. For the purposes of this section, migration patterns are examined in two ways: migration *flows*, (i.e. where people are moving to and from) and the *types of people* migrating. In addition, the Celtic Tiger phenomenon and the link between economic activity and household formation rates are also discussed

Migration Flows

- 6.2 Migration flows can be categorised as internal or international. Both categories are examined in turn in the main body of the document and are summarised below.

Internal Migration

- 6.3 Internal migration consists of both long and short distance population movements and flows are influenced by the age composition of an area (with young people typically more mobile) and by the circumstances at a migrant's origin and destination¹⁰.
- 6.4 Short distance migration is typically driven by housing factors, with households moving within the same travel to work area to a location that offers better value housing or housing of a suitable size to meet their life stage needs.
- 6.5 Long distance migration, however, is strongly influenced by labour market factors. People moving over longer distances typically do so in pursuit of employment and higher wages. This helps to explain the significant population movement from the northern regions to the south of England, where levels of economic growth have historically been higher, and the recent net in-migration to the north.
- 6.6 Public bodies in both the north and south of the country are projecting a reduction in the magnitude of north-south migration as economic opportunities become more evenly distributed throughout England. It is anticipated that the improved economic

10 For instance, people may move from an area with high unemployment to an area with a buoyant employment market or from an area dominated by terraced housing in search of a more suburban housing product.

performance of the North East will help the region to retain population, indicating that economic activity is a key driver of migration.

- 6.7 Several studies have utilised regression analysis to model the drivers of migration, however, the findings of this body of research are mixed. Many of the studies have found that migration is driven by a combination of socio-economic and housing supply factors. The findings of the regression studies are examined in greater detail within the main body of this document.

International Migration

- 6.8 In terms of international migration, England has switched from being a net exporter of migrants in the early 1980's to one of net in-migration and this trend is anticipated to continue.
- 6.9 During the 1950's and 1960's, international migration was primarily job-related. However, the influence of job-related factors has reduced in recent years as the profile of migrants has become more varied. In addition, geo-political influences now appear to exert a strong influence on migration patterns, with a large number of migrants seeking political asylum or fleeing war zones.
- 6.10 Net in-migration to England is concentrated on London and a few other cities, indicating that although less international migration is job-related, economic activity still influences where migrants decide to settle. At a regional level the majority of in-migrants settle in London and the West Midlands, whilst the north, which has historically underperformed in economic terms, has traditionally averaged very little net change through international migration. However, evidence suggests that net inflows to the northern regions have increased in recent years.

Types of Migrants

- 6.11 Three principal types of migrating households have been identified within the main body of the document. They are:
- Households containing only older people
 - Households with children of school age; and
 - Households containing working age adults only.

Households Containing Only Older People

- 6.12 The migration of people of or nearing retirement age (retirement migration), is normally the privilege of owner occupiers and does not appear to be influenced by levels of economic activity. Retirement migrants typically move out of the urban area to seek out areas with more attractive landscapes, good services and a slower pace of life. In addition, the availability of good healthcare provision and low levels of crime are also important factors.

Households with Children of School Age

- 6.13 Families with children of school age have traditionally expressed their housing choices in the suburbs. These households need to live in close proximity to the employment opportunities of the metropolitan areas but choose to locate on the periphery because other factors such as access to good schools and healthcare facilities and the absence of violent crime are also important to them.
- 6.14 The traditional trend for such households to migrate to the suburbs is believed to be declining, largely due to changes in the lifestyle choices of women. This has resulted in more women working through their family building years and allowing access to private nursery care and schooling as a consequence, thus reducing the lure of the suburbs.

Households Containing Working Age Adults Only

- 6.15 DINKY households (Dual Income, No Kids Yet) have 'wants' that are more similar to those of young people rather than households with children. The migration of these households is clearly influenced by economic activity as they are attracted to the employment opportunities and recreation activities afforded by the 'bright lights' of metropolitan areas.

Migration, Economic Activity and the Celtic Tiger

- 6.16 An examination of economic growth and net migration patterns in Ireland since the early 1990's indicates that economic activity and migration are linked in a 'virtuous circle.'
- 6.17 The rapid growth of the Irish economy throughout the 1990's created a buoyant labour market which played a key role in attracting skilled in-migrants to the country.

In turn, this influx of skilled migrants then helped to fuel further economic growth. Many of the in-migrants were expatriates who had left Ireland because they could not find suitable jobs prior to the economic boom and subsequently returned to the country with improved skills and greater experience.

- 6.18 In the UK, strong economic growth is likely to result in increase levels of in-migration as migrants typically move to the country where they can maximise their economic opportunities.
- 6.19 This in-migration can, in turn, help to drive further economic growth in the UK by contributing to increased output. The in-migration of low skilled migrants helps to fill recruitment difficulties with regards low skilled jobs and this allows the indigenous population to specialise in the task that they are comparatively better at. The inflow of skilled migrants provides staff for universities, hospitals and scientific laboratories.

Household Formation Rates

- 6.20 An analysis of household formation rates indicates that they are greater in the fast growing, affluent counties of the Greater South East. This reflects the fact that a more prosperous economy with higher levels of average income provides more residents with the means to set up their own home, resulting in high rates of household formation. In addition, these prosperous areas also attract a net in-migration from those lower age groups who represent a key demographic in terms of new household formation.
- 6.21 Regression analysis indicates that income and social class are key drivers of household formation, which confirms the theory that formation rates are higher in more affluent areas. Additionally, the following are also key drivers: the proportion of the population aged 15-29, household dissolutions¹¹ and the provision of new private housing.
- 6.22 This appears to make intuitive sense as most people who set up home fall within the 15-29 age range and therefore a higher proportion of this demographic group within the resident population is likely to result in a higher rate of household formation. With regards household dissolutions, it is to be expected that a greater number of household break ups will result in a higher rate of household formation, as one

11 The break up of households through divorce, separation etc
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household is likely to become two as a consequence of marital breakdown, for instance.

6.23

