

Resolution Foundation

BRIEFING

Get A Move On?

The decline in regional job-to-job moves and its impact on productivity and pay

Stephen Clarke
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Acknowledgements

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Summary

It is often assumed that people today are more mobile and willing to up sticks and move than ever before. The decline in home ownership, people coupling and having children later, and modern technology all seem to support greater mobility. However a look at the data over the past two decades suggests that, far from surging, internal migration within the UK has declined.

Policy makers rarely talk about internal migration, aside from in reference to the unemployed and inactive moving to find work. However only ten per cent of those moving regions for jobs were previously out of work – a proportion that has remained constant - and so more attention needs to be paid to the role of mobility in matching people to jobs and raising productivity.

Despite population growth of 11 per cent the same number of people (around 140,000) moved region and employer last year as did at the turn of the millennium, meaning that the share of the population doing so has fallen from 0.8 per cent to 0.6 per cent.

For policy makers deciding how much to worry about this trend it is important to distinguish between cyclical effects associated with the financial crisis that may fade and more structural shifts with a lasting effect. Both look to be at play. On the one hand the decline in economic mobility appears related to the financial crisis, and as the economy has improved mobility has increased. On the other hand, despite recent improvements and it being a full decade on from the start of the financial crisis, mobility is still down on the levels of the late 1990s and early 2000s. And this in spite of the fact that changes in the population have, all else equal, tended to make the country more mobile as groups (such as renters, graduates and migrants) that are more likely to move have grown.

For instance the share of the population that rent their home has increased from 28 per cent to 35 per cent. Despite this the fall in the share of renters that move has been large enough to offset any increase in regional job-to-job moves. Similarly the share of the population with a degree has increased from 22 per cent to 35 per cent, but the fall in the share of graduates moving region and employer has again been large enough to offset the boost to mobility that this group traditionally provides.

The evidence is that the decline in mobility is being driven by the young, particularly young graduates. It could be that this fall in mobility is the result of changes to the graduate population - the average age of people holding degrees having risen - which may be causing the decline. However, once we control for age and other economic and demographic characteristics we find that whereas graduates under the age of 35 were almost 5.7 times more likely to move region and employer than non-graduates in the 1990s they are now just 3 times as likely.

Although there has been a fall in the share of people moving region and employer those who do move region are generally going to and leaving the same places, though this may be starting to change. Last year the net movement away from London was 100,000 up from 30,000 in 2009. And this is not simply a crowding out of less educated members of the workforce: net migration of those with degrees to the capital was around 10,000 per year between 1996 and 1999. Recent evidence suggests that this may have fallen to just a few thousand, driven by an increase in graduates leaving.

Of course, mobility is not just a function of labour supply: fewer people may be moving region for work because of shifts in employer demand, with more job opportunities opening up closer to home. This would clearly be good news, and is supported by the fact that the decline in the number of people moving region and moving jobs has occurred at the same time as variation in employment rates across regions of the UK has narrowed.

However, the bad news is that differences in productivity between regions have increased over the same period. A number of factors are likely to contribute to this disappointing trend, but it's feasible that lower mobility is playing its part. As well as helping to avoid labour shortages,

a mobile labour force – particularly when employment is at record high – helps match people to jobs that best suit their talents. Such matching raises productivity and ensures that the potential of individuals and firms does not go to waste.

Declines in the share of people moving region and employer has coincided with a wider decline in job-to-job movements, contributing to the UK's terrible performance on pay over the past decade. People who change job consistently benefit from pay rises 5.5 times as large as people who remain in the same job, and those that move region and employer see typical pay rises 6 times as large.

In 2016, the typical earner would have been £2,000 better off moving region and job rather than staying with the same employer. They would have also been £320 better off than someone who moved jobs but remained in the same region. Younger people in particular benefit from moving region; the typical pay rise for someone under 30 moving region and employer has been on average 1.6 percentage points higher (11 compared to 9.4 per cent) than the rise earned by those just moving employer over the past decade.

Importantly, there is cause to believe that regional job mobility might fall again in the coming years. Over the past two decades, international migrants have accounted for a growing share of regional job-to-job moves: they now account for 24 per cent, up from 8 per cent in 1995. The evidence is that migrants not only go to where there are jobs when they move to the UK, but also remain mobile once they are here. With net migration falling in recent months and likely to drop further following Brexit, it is imperative that the government is alive to the wider impact that this will have on the dynamism of the UK labour market.

In this sense policy makers need to be less concerned – as many have been in the past – with encouraging the unemployed to look further afield for work. The evidence suggests that this is not, and arguably never has been, a big issue. Rather they should now be more concerned about job-matching and the efficiencies associated with people being able to access work that best utilises their skills.

Mobility matters for pay

Britain needs a pay rise. It is nine years since the country fell into recession off the back of the financial crisis and real pay is still over 3 per cent below its pre-crisis peak. Average weekly earnings are still £15 less than they were in early 2008 and pay for many groups, such as younger workers, remains even further below peak.^[1]

Of course, averages mask a lot of variation for individuals. The headline statistic is affected by compositional shifts in the workforce over time, with workers in continuous employment tending to record stronger pay growth than the reported average might imply. Often the biggest pay rises accrue to those who move jobs, with this representing a particularly key mechanism for boosting earnings among younger workers at the start of their careers.

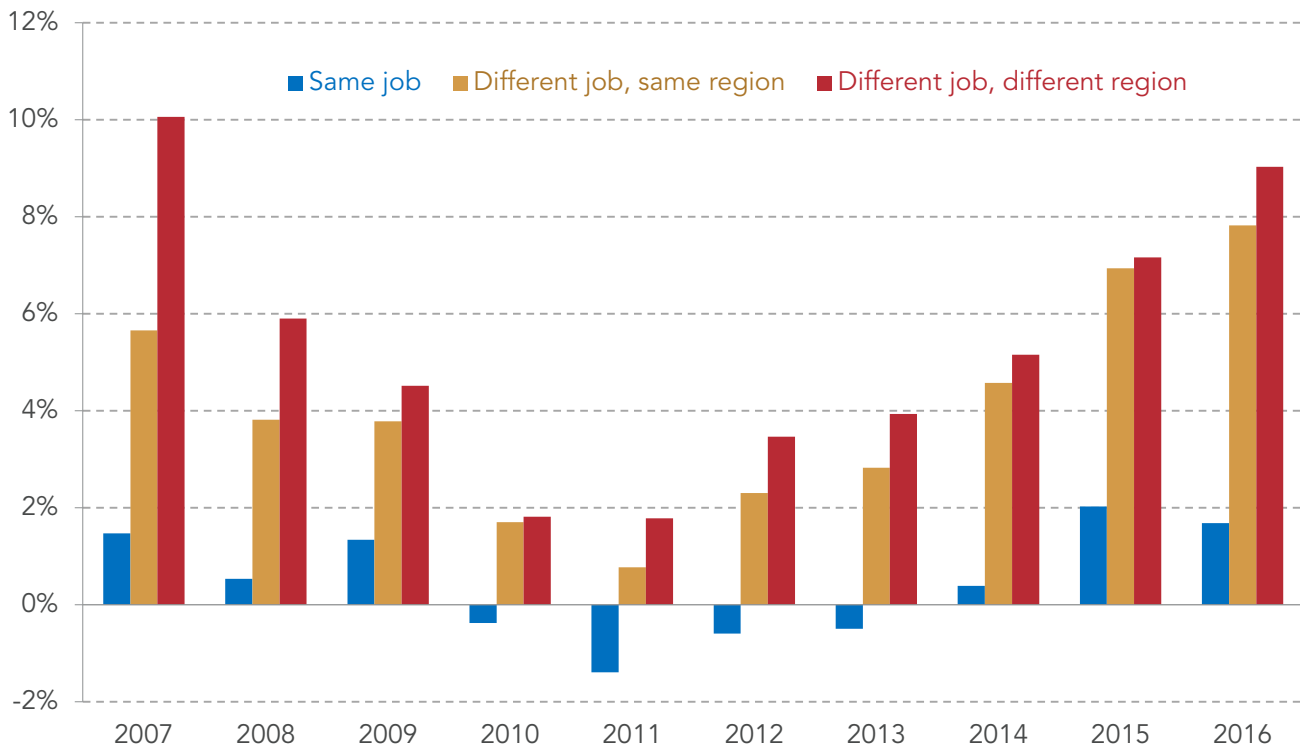
As Figure 1 shows, pay rises are greater still among those who move both job and region. In 2016, the typical real gross pay rise associated with moving jobs was 7.8 per cent and the typical pay rise for moving region and changing employer was 9 per cent. In contrast, those remaining with the same employer achieved just 1.7 per cent growth. In cash terms, this means the typical earner last year would have been around £1,650 better off moving job and £2,000 better off moving region and job than someone remaining with the same employer.^[2] Over time people who move region and employer consistently earn the highest rises.

[1] S Clarke, [The RF Earnings Outlook Q1 2017](#), Resolution Foundation, July 2017

[2] Based on typical (median) hourly earnings (excluding overtime) for full-time workers in 2015, which were £13.30.

Figure 1: Changing job and changing region typically results in the highest pay rise

Median real pay rise (for hourly pay excluding overtime) associated with staying in same job, changing job, and changing region



Notes: Regions refers to the 11 regions/nations as defined in the Annual Survey of Hours of Earnings

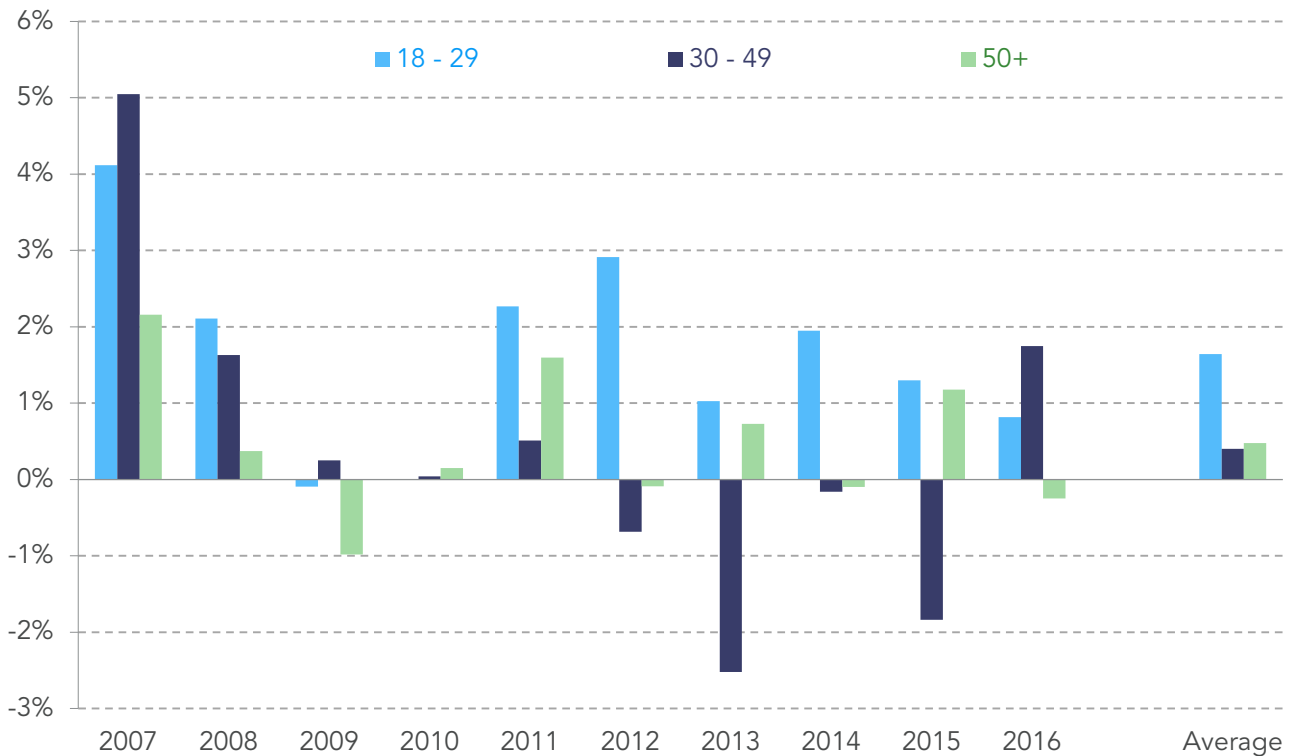
Source: RF analysis of ONS, Annual Survey of Hours and Earnings

What’s noticeable from Figure 1 is that the reward associated with moving jobs has surpassed its pre-crisis level, while the scale of pay rises associated with moving jobs and region has also recovered strongly such that it is approaching the 2007 level. The additional premium associated with moving region relative to just moving employer has fallen in this period, but – overall – the return on mobility looks to have recovered from the effects of the financial crisis and economic downturn. Mobility matters as much as ever.

It matters especially for younger people. Figure 2 shows the additional pay rise at the median (in percentage points) that someone earns moving region and job compared to just moving job. The additional benefit from moving region is highest for those under 30. Over the past decade the typical pay rise for someone under 30 moving region and employer has been on average 1.6 percentage points higher than the rise earned by those just moving employer. Younger workers may earn higher rises for moving region than older employees because monetary considerations may play a bigger part in their decisions. While an older worker may relocate to take advantage of cheaper housing or for family reasons, a younger worker is more likely to want to maximise their earnings earlier on in their career.

Figure 2: Those under 30 benefit most from changing employer and moving region

Additional pay rise (in real median hourly pay) associated with moving region and moving jobs, over just moving jobs



Notes: Regions refers to the 11 regions/nations as defined in the *Annual Survey of Hours of Earnings*

Source: RF analysis of ONS, *Annual Survey of Hours and Earnings*

Mobility matters for the wider economy too

As evidenced above, moving to find a better job obviously benefits the individuals concerned. But it has wider benefits too. For example, greater mobility among workers can increase their bargaining power vis-à-vis employers, helping raise earnings for all employees. A flexible labour market also ensures that labour shortages do not occur and reduces unemployment. It can also help regions and people deal with localised shocks.

With this in mind, it is reassuring that geographical mobility is higher in the UK than many countries in continental Europe.^[3] But our workforce is less mobile than the US and many other “New World” countries. And, to the extent that people *do* move for work in the UK, job-to-job moves are much more common than unemployment-to-work transitions. As such, internal migration has tended to play a limited role in mediating regional differences in unemployment. A welcome narrowing of cross-regional gaps in unemployment over the past 30 years has arguably reduced this particular role of regional mobility still further (see Box 1).

[3] P Gregg, S Machin & A Manning, ‘mobility and joblessness’ in D Card, R Blundell & R B Freeman, *Seeking a Premier Economy: The Economic Effects of British Economic Reforms, 1980-2000*, 2004, pp 371-410

i Box 1: While job-to-job moves are important for securing a pay rise, getting on your bike is less relevant advice than it once was

It's over 35 years since Norman Tebbit told the Conservative party conference that his father, unemployed during the Depression, "got on his bike and looked for work and he kept looking 'til he found it". Although this advice may have been grounded in the fact that at the time differences in employment rates across the UK were far larger than they are today, even then the evidence suggests that internal migration had a limited effect on reducing regional differences in employment and rates.^[1]

[1] P Gregg, S Machin & A Manning, 'mobility and joblessness' in D Card, R Blundell & R B Freeman, *Seeking a Premier Economy: The Economic Effects of British Economic Reforms, 1980-2000*, 2004, pp 371-410

Such thinking is even more flawed today. Regional differences in employment rates have fallen dramatically. Furthermore, although finding work provides a larger boost to living standards than a pay rise, on an annual basis those moving region to find work only constitute around 10 per cent of those moving region for work. By contrast regional job-to-job moves account for around 90 per cent. More important than getting on your bike to find work is moving region to switch to a job more suited to your skills.

Mobility in the UK context, both in terms of broader job-to-job moves and those that involve moving region, is instead more associated with matching *existing* workers to jobs that better utilise their talents. Such moves account for only around 1 in 100 job-to-job moves, but they are nevertheless an important part of raising productivity in and pay in the economy. That being the case, it should be a cause for concern that regional mobility in the UK appears to have gone into reverse since the turn of the century.

Regional mobility has declined

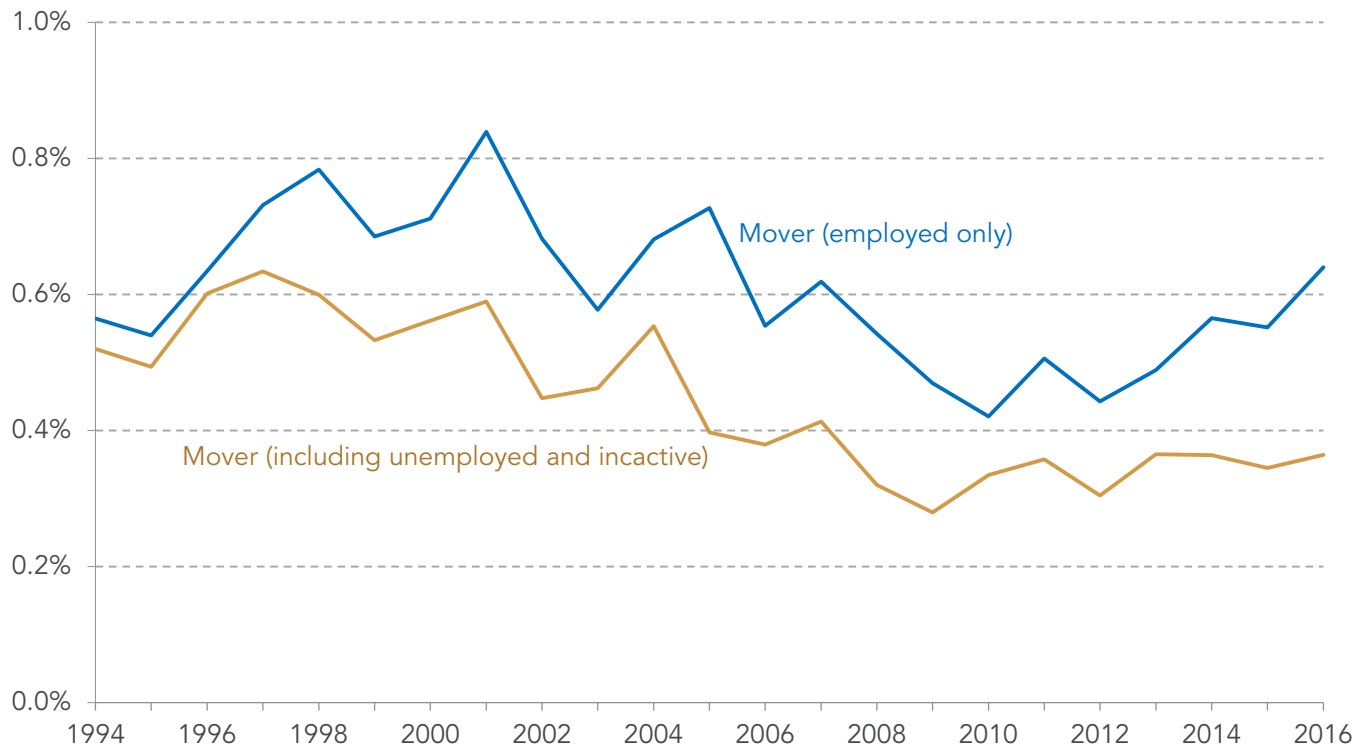
In the US there is a concern about declining mobility and the impact that this is having on the labour market.^[4] That debate is largely absent in the UK, but it shouldn't be.

Figure 3 shows the share of people moving for work. The yellow line is the share of people moving region and employer, including those who may have been unemployed or inactive before moving; the blue line is the share of regional job-to-job moves, which we will focus on in this report. The share of people moving region and employer, or moving region and finding work has fallen from between 0.6 per cent and 0.8 per cent in 2001 to between 0.4 per cent and 0.6 per cent last year. Looking just at those people making a regional job-to-job move it appears that mobility is once again beginning to rise after hitting a nadir of 0.4 per cent in 2010. However it still remains well below the level of 2001.

[4] D G Blanchflower & A J Oswald, "[Does High Home-Ownership Impair the Labor Market?](#)", NBER Working Paper No. 19079, 2013

Figure 3: A smaller share of people move region for work than in the past

Share of the population moving region for work



Notes: Yellow line is the proportion of 18-64 year olds who lived outside their current region of residence one year ago and have been in their job for less than a year. The blue line is the proportion of 18-64 year olds who lived outside their current region of residence one year ago, were employed last year, and have been in their job for less than a year. Regions refers to the 19 sub-regions/nations of the UK.

Source: RF analysis of ONS, Labour Force Survey

The timing and shape of these trends raises questions over the extent to which falling mobility is a cyclical or structural phenomenon. Clearly the financial crisis sparked a sharp fall in the proportion of people moving region for work, and this figure reached its low point at the height of the downturn and has since recovered somewhat. But the decline began before the crisis hit and prior levels are yet to be restored despite the recovery in returns associated with such moves that we reported in Figure 1.

It is the young, graduates and private renters that are moving less than they used to

It is also worth noting that the decline in regional mobility in recent years has come against a backdrop of changing demographics that should have been expected to *boost* mobility. All else equal, those with higher qualifications, those in private rented accommodation and young people are most likely to move for work.^[5] There are many reasons for this and many mobile people will meet all three of these criteria. But the fact that both qualification levels and renter numbers have increased substantially over recent years makes the overall fall in regional mobility even more surprising. The implication is that other factors must have pulled in the opposite direction.

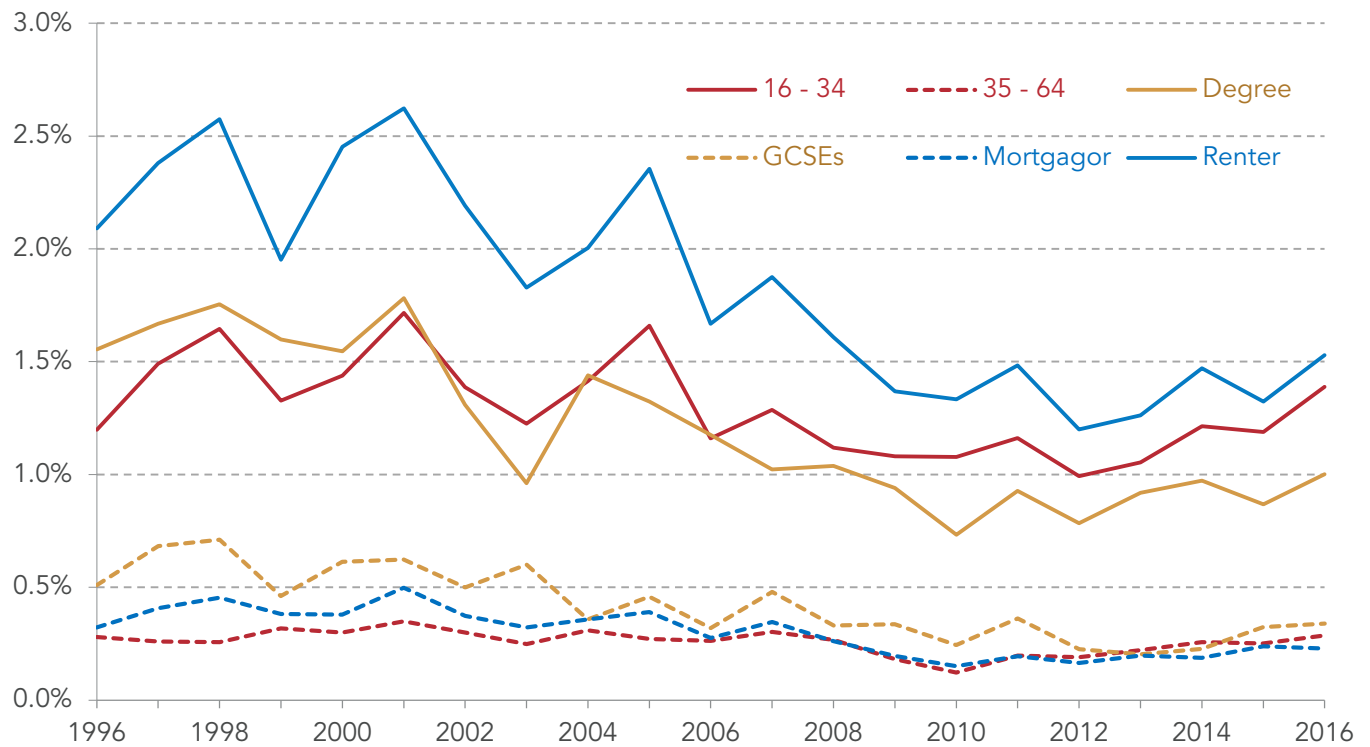
Central to the story is the fact that mobility has fallen most sharply among the very groups where it is typically highest, Figure 4 shows that that the share of people with degrees, those below 35

[5] S Dixon, [Migration within Britain for job reasons](#), Office for National Statistics, April 2003

and those in rented accommodation who move region and employer has fallen markedly since 2001.^[6] Relative to lower starting bases, mobility has also declined among other groups (those with lower qualifications, mortgagors and older workers), but the overwhelming majority of the absolute drop off can be explained by changes in the three key groups denoted by the solid lines.

Figure 4: Mobility has declined for renters, younger people and graduates

Share of people moving region and employer



Notes: The proportion of 18-64 year olds who lived outside their current region of residence one year ago, were employed last year, and have been in their job for less than a year. Regions refers to the 19 sub-regions/nations of the UK.

Renters include those in social housing (both council owned and housing association).

Source: RF analysis of ONS, Labour Force Survey

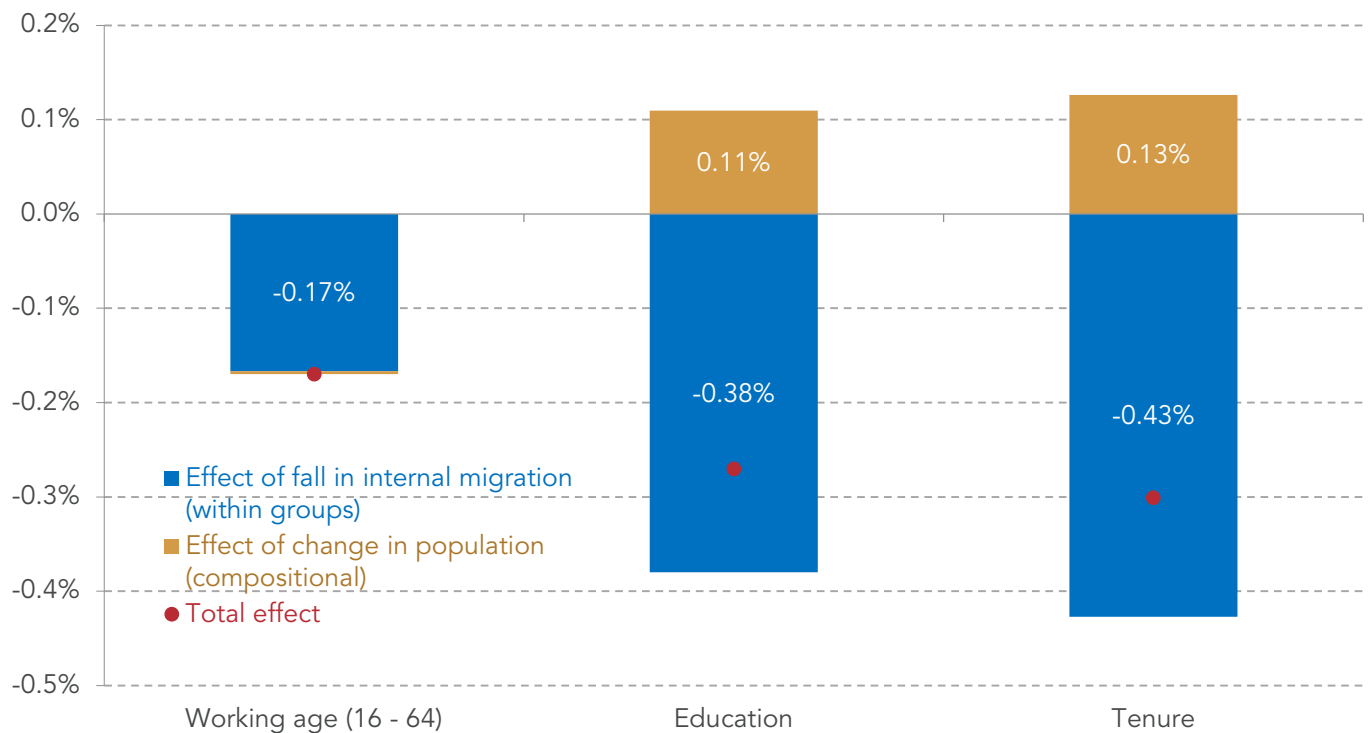
Whereas 1.8 per cent of graduates moved employer and region in 2001, now only 1 per cent do – a near halving. Similarly, the share of people under 35 moving has declined from 1.7 per cent to 1.4 per cent and the share of people in rented accommodation moving has declined from 2.6 to 1.5 per cent.

By way of teasing out what has driven these reported reductions within groups – and the extent to which compositional differences matter (for example, we might expect increases in the numbers of older workers to degrees to drag down on overall mobility among graduates) – we can undertake a decompositional analysis. Figure 5 splits the changes in the share of people moving region and employer between 2001 (the high point of regional job-to-job moves) and 2016 into two components, that attributable to changes in population and that attributable to changes in the share of people within each group moving.

^[6] The decline in the number of renters moving is even more dramatic as this series includes social renters. People in this tenure group are least likely of all to move and have been shrinking as a proportion of the rented population, however despite the increased proportion of private renters in this group, mobility has still declined.

Figure 5: Changes in population have not been enough to offset falls in regional job-to-job moves

Change in regional job-to-job moves, holding changes in population constant, and holding changes in migration rates for different groups constant



Notes: Changes in regional job-to-job moves rates are different for the three groups because they do not perfectly overlap. For instance the education category excludes those with no, or 'other', qualifications and the age category just looks at those of working age. Regional job-to-job moves here are those between the 19 sub-regions/nations of the UK

Source: RF analysis of ONS, Labour Force Survey

Holding constant the migration rate of the different groups and focusing exclusively on changes in the relative size of the populations, we see that shifts from ownership to renting would have boosted regional job-to-job moves by around 0.13 percentage points over the period. Similarly the increase in the graduate population would have boosted cross-regional moves by 0.11 percentage points.

However such movements were swamped by declines in the share of people, in all tenures (aside from those owning outright) and of all education levels, moving region and employer. Holding the relative population shares of the different groups constant and just looking at changes in the migration rates shows that the falling rate of regional job-to-job moves among different tenure groups reduced regional job-to-job moves by 0.43 percentage points. Doing the same for changes in job-to-job moves for different education levels shows that the share of people moving region and employer would have fallen by 0.38 percentage points.

Population changes had far less of an effect when we disaggregate the data by those above 35 and those below. The change in this binary age structure of the working-age population (a marginal decline in the share of people who are under 35) is estimated to have had no impact. Instead when we disaggregate the data by age we find that change was completely driven by falls in internal migration by both the under- and over-35s, although the decline for the younger age group was far larger.

Figure 5 then shows that the rapid growth in the number of graduates and renters over the past two decades has been more than offset by a generalised decline in regional job-to-job moves across nearly all population groups. Although more graduates increased the share of people

moving region and employer, the fact that graduates were less mobile than they have been in the past completely negated this. The same goes for renters.

This decomposition analysis can only tell us so much, resting as it does on an assumption that the characteristics of the groups we describe (renters, graduates etc) are broadly unchanged over time. Instead, there are good reasons for thinking that changes in the make-up of these populations over the period are at least part driving the fall in mobility. For example, the profile of the graduate population has aged over the period considered, potentially dragging on overall mobility in this group. Likewise, the renter population has (on average) become older and includes more families with children than it used to. To investigate this issue we run a series of regression models where we hold various characteristics constant.

By controlling for age, and other possible determinants of mobility such as earnings and migrant status, we can see if the young, graduates, and renters are more (or less) likely to move today than they were two decades ago. To focus in on young people and graduates (the two groups for which mobility seems to have declined the most) we split our sample into two groups; graduates, and then those under 35. Doing this allows us to look at what types of young people are moving less than they used to and then for which types of graduates internal migration has declined. The results of this exercise are presented in Table 1.

Table 1: Young graduates and young renters are less likely to move than they were two decades ago

	16 - 34 model		Graduate model	
	1994 - 1998	2012 - 2016	1994 - 1998	2012 - 2016
Education (base = non-degree)				
Degree	5.7 x	3.0 x		
Age (base = 35-49)				
16-34			5.3 x	2.9 x
Sex (base = male)				
Female	5.9%	-15.5%	19.8%	11.2%
Tenure (base = Mortgagor)				
Own outright	20.0%	45.5%	75.1%	2.1 x
Renter	5.7 x	4.6 x	8.4 x	10.0 x
	Obs: 24,217	Obs: 15,412	Obs: 8,325	Obs: 9,175
	Pseudo R2: 0.12	Pseudo R2: 0.08	Pseudo R2: 0.18	Pseudo R2: 0.13

All models run controlling for weekly wages, ethnicity, migrant indicator & year dummies

Notes: For full details of regression model see Appendix

Source: RF analysis of ONS, Labour Force Survey

Looking at those aged 16 to 34 (and so isolating the young) between 1994 and 1998 (first results column), those with a degree were 5.7 times more likely to move region and job than non-graduates. However by 2012 – 2016 young graduates were just 3 times as likely to move. This is a significant fall and shows that young graduates are a lot less likely to move region and employer than they were in the 1990s.

Turning to graduates, between 1994 and 1998 graduates under the age of 35 were 5.3 times as likely to move region as those aged 35 to 49. However in the past four years this had fallen to 2.9 times. Again, it appears that mobility has fallen particularly for young graduates.

By contrast when we look at renters we find little change in their propensity to move region and job. Looking at just young renters (first two results columns) they were 5.7 times more likely to move than those with a mortgage in the 1990s and now they are 4.6 times as likely. Graduate

renters were 8.4 times more likely to move in the 1990s and they are now 10 times more likely to move region and job than a graduate with a mortgage.

By focusing in on the young and graduates, and also by controlling for various economic and demographic characteristics it is clear that young graduates are moving less than they used to. This cannot be explained by compositional changes in the group because our model tells us that even after controlling for changes in demographic and economic characteristics young graduates are moving less.

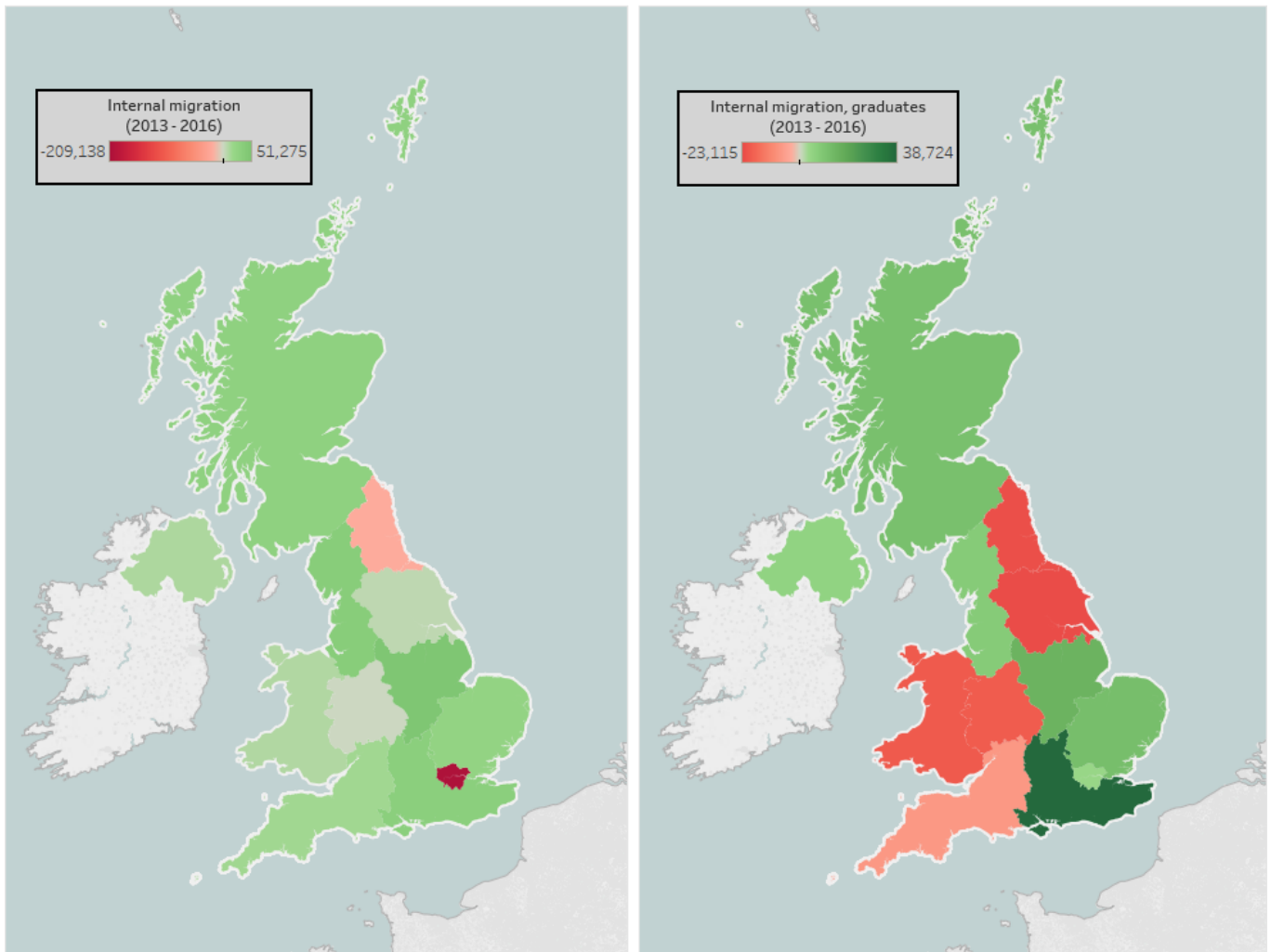
The fact that we have seen falling (despite the recent uptick) regional job-to-job moves at the same time that population changes should have been raising overall mobility may suggest that the recent decline is in part structural (although it could be argued that the population changes would have had more of an effect in the absence of the downturn). Perhaps further population change and further improvements in economic conditions will raise regional mobility, but as we discuss below there is reason to believe that changes to the British labour market may actually act as a drag on mobility in the years ahead. Before we turn to this however we look at *where* people are moving.

The push and pull of London

Although geographical mobility has declined, significant numbers of people are still moving region. Excluding those moving to the UK from another country, around 1.4 million (including students) moved region in 2016 and around 140,000 people moved region and employer.

Looking at data over the past four years, the most pronounced move is from London to the rest of the country. The left-hand map in Figure 7 shows that (excluding people immigrating from abroad) around 592,000 people left London and only 383,000 moved to the capital between 2013 and 2016. As a result, London recorded a net negative movement of around 209,000.

Figure 6: London sees large outflows of people but has traditionally seen inflows of graduates



Notes: Internal migration here excludes people moving to the UK from abroad.

Source: RF analysis of ONS, *Labour Force Survey*

Such figures are consistent with others from the ONS that show that net migration away from London has varied between 50,000 and 100,000 for the past decade and a half.^[7] However, the same ONS figures also show that net migration out of London has been on an upward curve since 2009; last year it reached 100,000, up from around 30,000 in 2009. This has been driven by a rise in the number of people leaving the capital. That is, while the number of people moving to the capital has remained around 200,000 a year, the number leaving London has increased over this period – from 260,000 in 2012 to roughly 310,000 last year.

However the picture is different when we focus specifically on the internal migration of graduates (right-hand map in Figure 7). Over the past four years London, but particularly the South East, has recorded positive net migration of graduates. Between 2013 and 2016 around 39,000 more graduates moved to the South East than left and 4,000 more moved to London. The East and East Midlands also recorded positive net migration of graduates; while Wales, the North East, Yorkshire and the West Midlands experienced negative net migration.

[7] ONS, [Internal migration - Moves by Local Authorities and Regions in England and Wales](#), July 2017

This graduate picture is somewhat similar to that which existed in the late 1990s. However the net movement out of London has increased, and there is evidence that perhaps the capital is becoming less attractive to graduates. Around 38,000 more graduates moved to the capital between 1996 and 1999 than left the city, far higher than the 4,000 net movement to London between 2013 and 2016. This appears to be driven primarily by fewer people moving to the capital. Although the data is volatile, taking the three-year averages over the past six years suggests that the number of graduates leaving London is up by 14 per cent, whereas the number moving to the city has only risen by 3 per cent.

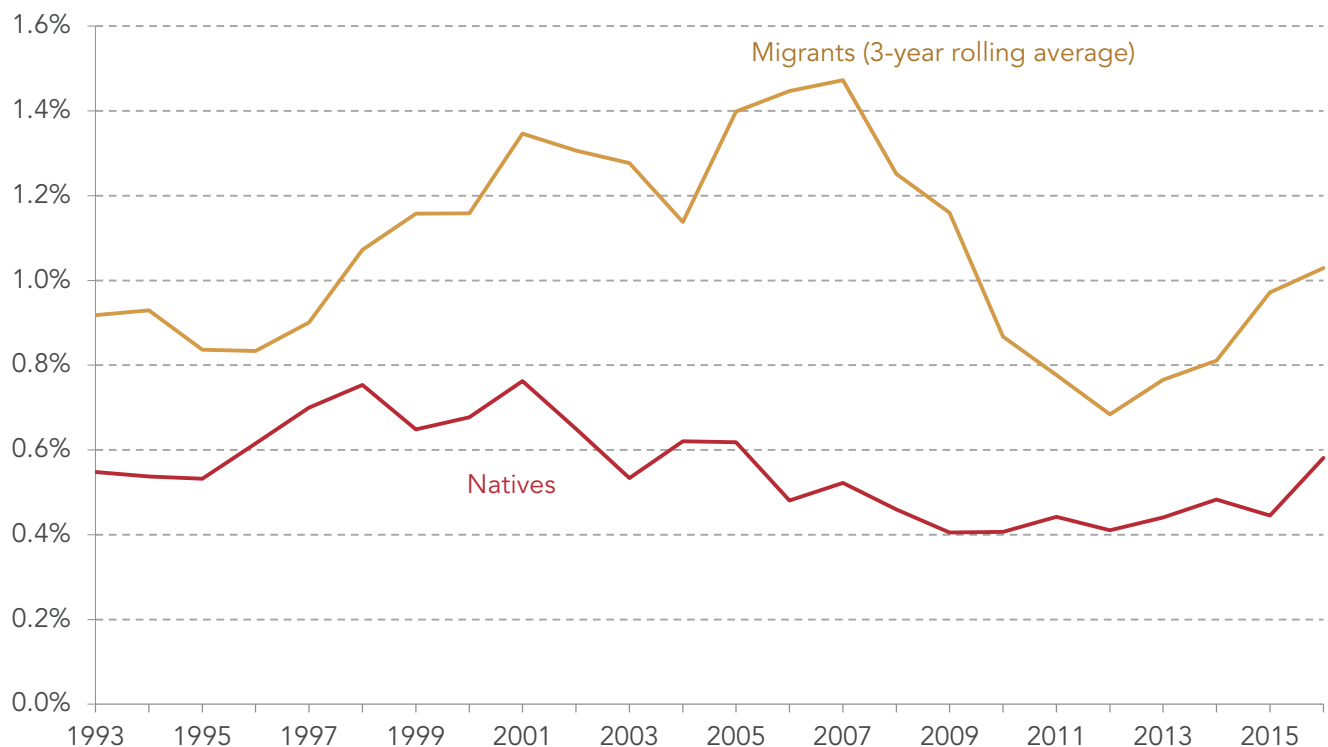
Although net graduate migration to the capital appears to be lower than it was two decades ago – with last year’s figures showing that it may even have turned negative for the first time since 2004 (we can’t be definitive because the change was statistically insignificant) – it is too soon to determine if London is becoming a less attractive place for highly-qualified young people. Current trends appear to be pointing that way however.

Falling internal migration comes at a time when the British labour market may be becoming less flexible

The decline in the share of people moving region and employers hints at a labour market that is becoming less dynamic. Policy makers should particularly note that it also comes at a time when the UK labour market is particularly dependent on international migrants to provide mobility. Figure 7 shows that migrants are consistently more likely to move region and employer than natives, with 1 per cent of migrants moving jobs and region in 2016, compared to 0.5 per cent of natives.

Figure 7: A smaller share of migrants are moving for work

Share of people moving region and employer



Notes: The proportion of 18-64 year olds who lived outside their current region of residence one year ago, were employed last year, and have been in their job for less than a year. Regions refers to the 19 sub-regions/nations of the UK.

Source: RF analysis of ONS, Labour Force Survey

In practice, the difference is likely to be greater still, with our figure underestimating migrants' contribution to labour market flexibility. First international migrants tend to immigrate to places where there is strong demand for labour (at least their labour), thus increasing its effective supply above that provided by the native population. Second our estimate in Figure 7 largely ignores short-term migrants, as we discuss in Box 2.

i Box 2: The difficulties of measuring the mobility of migrants

Our estimates of internal migration by migrants significant underestimates how mobile migrants are. This is largely because the Labour Force Survey fails to capture the vast bulk of short-term migrants. The Labour Force Survey is largely a survey of private households so tends not to cover people living in communal establishments (such as hostels or halls of residence), therefore it tends not to capture seasonal workers, and other migrants that may come to the UK for a relatively short period of time.

We have limited data on short-term migrants, although the Department for Work and Pensions collects data on the national insurance numbers granted to foreign nationals. Using this data it is possible to see where migrants are working when they are in the UK, if they move employer and region, and if the insurance number is no longer being

used. The latter could suggest that the migrant has left the UK (although it could also be because they stopped working or are no longer paying tax).

Unfortunately this data is not published but some estimates suggest that the share of short-term migrants moving region and employer each year could be as much as 10 to 20 times higher than the share of settled migrants that do so. Furthermore every year at least as many, if not twice as many, short-term EU migrants (the vast majority of short-term migrants comes from the EU) come to the UK as long-term ones.^[1]

[1] Office for National Statistics, *Note on the difference between National Insurance number registrations and the estimate of long-term international migration: 2016*, May 2016

Bearing this important caveat in mind, as the migrant population of the UK has grown, initially a greater share of migrants moved for work, there was then a sharp decline in the years following the financial crisis. It is perhaps to be expected that migrant mobility is more cyclical than native mobility as a growing economy would attract more migrants (and indeed net migration did fall following the recession) who would tend to be more mobile than the migrants already in the UK, thus raising overall mobility.

However migrant mobility is also likely to be impacted by the immigration system. A system that permits migrants to come without a job offer (as freedom of movement for EU/EEA migrants currently does) is likely to create a more mobile migrant population than one that forces migrants to have a job offer before coming to the UK (something that the vast majority of non-EU/EEA migrants need to have).

Perhaps as a result of the declining economic climate the share of migrants moving region and employer began to fall from 2007 (Figure 7). In 2007 around 1.5 per cent of migrants moved region each year for work, by 2016 this figure had fallen to 1 per cent. However in absolute terms the same number of migrants are moving for work today than in 2007 (around 35,000).

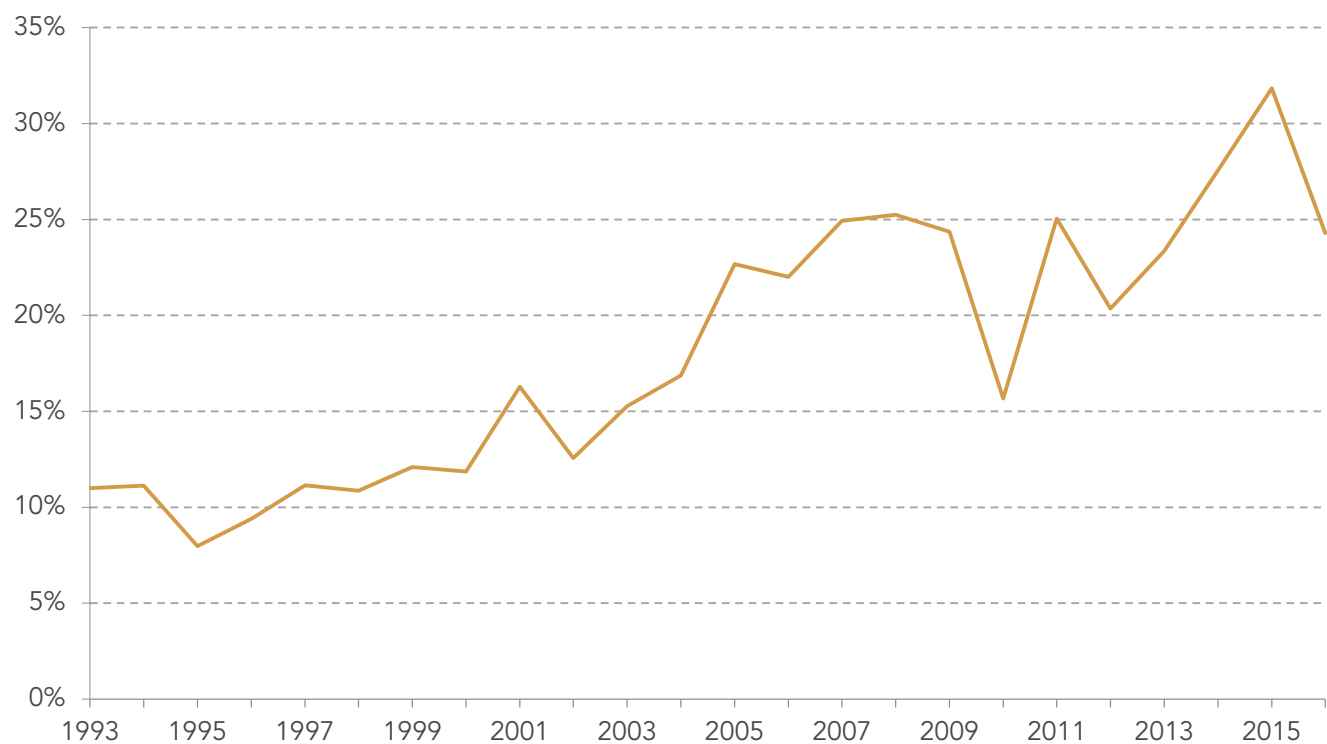
The decline in the share of migrants moving for work could be due to the deteriorating economic situation, but it also could be driven by changes in the composition of the migrant population; the average age of migrants has risen, the share who are renters has fallen, and the average migrant more closely resembles the average native than they did a decade ago. Over time, unless inward migration continues at the same rate, it is likely that difference in the mobility rates of the migrant and native populations will narrow. The one exception will be short-term and temporary migrants; the limited data we have on this group suggesting that they are extremely mobile (Box 2).

However it is unlikely that inward migration *will* continue at the same rate that we have experienced over the past decade. In the relatively near future a number of factors including the decline in the value of sterling, the improvement in economic conditions in Europe, uncertainty about the status of current EU migrants and the immigration regime that the UK will adopt once we leave the EU will all serve to reduce the incentive to move to the UK. In the longer-term both major parties have promised greater control over migration and the Conservative party recently reaffirmed its commitment to bringing net migration down to the tens of thousands.

This could have serious implications for the dynamism of the UK labour market. Despite a smaller proportion of migrants moving region and changing jobs, Figure 8 shows that migrants now account for 24 per cent of all regional job moves, up from around 8 per cent in the 1995. Over time the UK labour market has become more dependent on migrant mobility, if net migration continues to fall then so will the additional boost to labour market flexibility that this group has increasingly provided.

Figure 8: Over time the UK labour market has become more dependent on migrant mobility

Share of people moving region and changing jobs accounted for by migrants



Notes: Regions refers to the 19 sub-regions/nations of the UK.

Source: RF analysis of ONS, Labour Force Survey

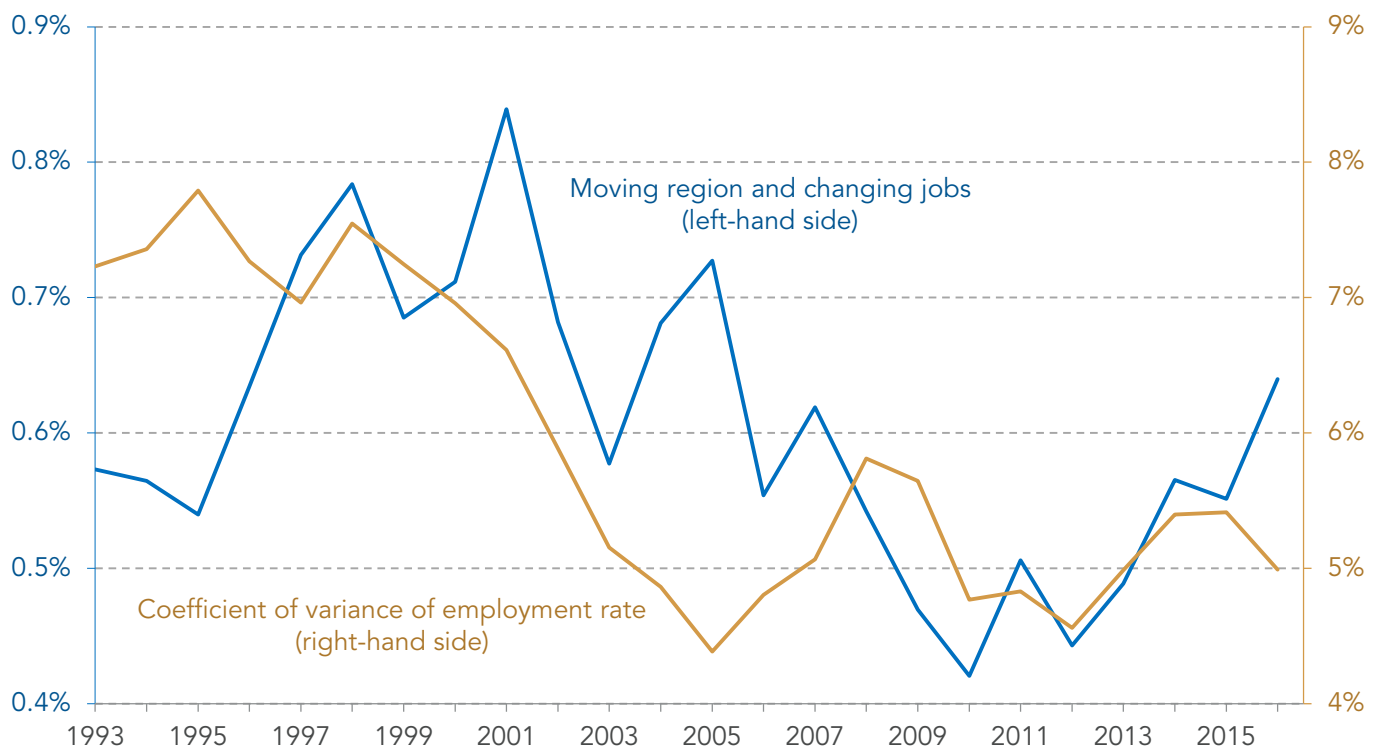
As fewer people move region and change jobs, differences in employment rates across the UK have narrowed

The decline in the number and share of people moving region and changing jobs has coincided with a decline in the variation in employment rates across the country. In 2001 – the year when the share of people moving and changing job peaked – employment rates across the regions of the

UK varied, on average, by 6.7 per cent. In 2016 employment rates across the country varied by just 5 per cent (Figure 9).

Figure 9: As mobility has fallen employment rates have converged

Share moving region and changing jobs and variance in the employment rate



Notes: The proportion of 18-64 year olds who lived outside their current region of residence one year ago, were employed last year, and have been in their job for less than a year. Regions refers to the 19 sub-regions/nations of the UK.

Coefficient of variance is the standard deviation divided by the mean.

Source: RF analysis of ONS, Labour Force Survey

Figure 9 is consistent with the theory that internal migration declined as variation in employment prospects (in the sense of having a job) across the country fell in the early 2000s. It also highlights the difficulty in assessing whether the recent decline is structural or cyclical. On the one hand regional job-to-job moves began to fall in the early 2000s, well before the financial crisis, and at the same time that the regional variation in employment rates started to fall. This would suggest more structural causes are at work. However, recently regional job-to-job moves have started to pick up – pointing to a cyclical explanation – despite the fact that there has been little change in regional variation in employment rates.

Given the difficulty in understanding what element of the recent decline in mobility is structural and which is cyclical, it is possible to understand changes in mobility in the early 2000s as the result of an improving labour market (at least in terms of regional disparities) and also attribute the recent rise in mobility to an improving labour market (in this case the general tightening that we have seen since 2012). As we shall see below, changes in mobility also appear closely related to declining job-to-job moves.

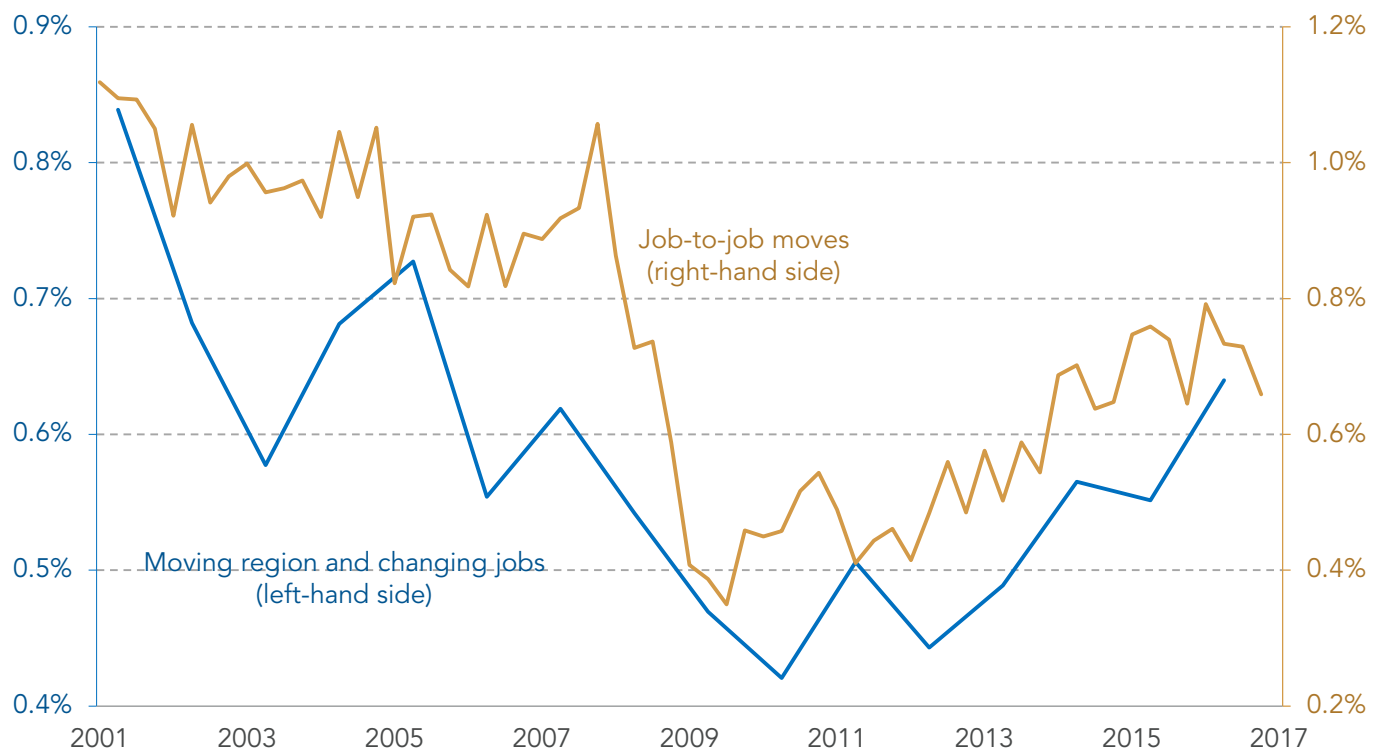
Declining regional mobility mirrors a fall in broader job-to-job movement

As we showed above, dynamism and job mobility are important components in boosting pay. While the largest gains in terms of pay rises accrue to those who move both job and region, the rewards associated with changing job even within the same region remain very sizeable. Given that only around 1 in 100 job-to-job moves involve someone moving region, it is worth spending some time looking at trends in the broader measure too.

In the last few years around 0.6 per cent of people have moved jobs each quarter but, as with regional mobility, this figure has fallen substantially in recent years. Figure 10 shows that the drop off in the broader measure appears more marked around the start of the financial crisis. However, as with the regional mobility figure, the rate remains much lower today than it was pre-crisis.

Figure 10: As mobility has fallen so have job-to-job moves

Share of people moving region and changing jobs and job-to-job moves



Notes: Regions refers to the 19 sub-regions/nations of the UK. Job-to-job moves are the proportion of workers voluntarily moving from one job to another each quarter; annual rolling average, year to date shown;

Source: RF analysis of ONS, Labour Force Survey

Figure 9 and Figure 10 suggest that the UK labour market is currently trading-off lower variation in employment rates across regions and lower internal migration against fewer job-to-job moves. From a living standards perspective, this is a good thing if it means employment rates are higher. However fewer job-to-job moves are likely to be partly responsible for the UK's recent poor performance on pay.

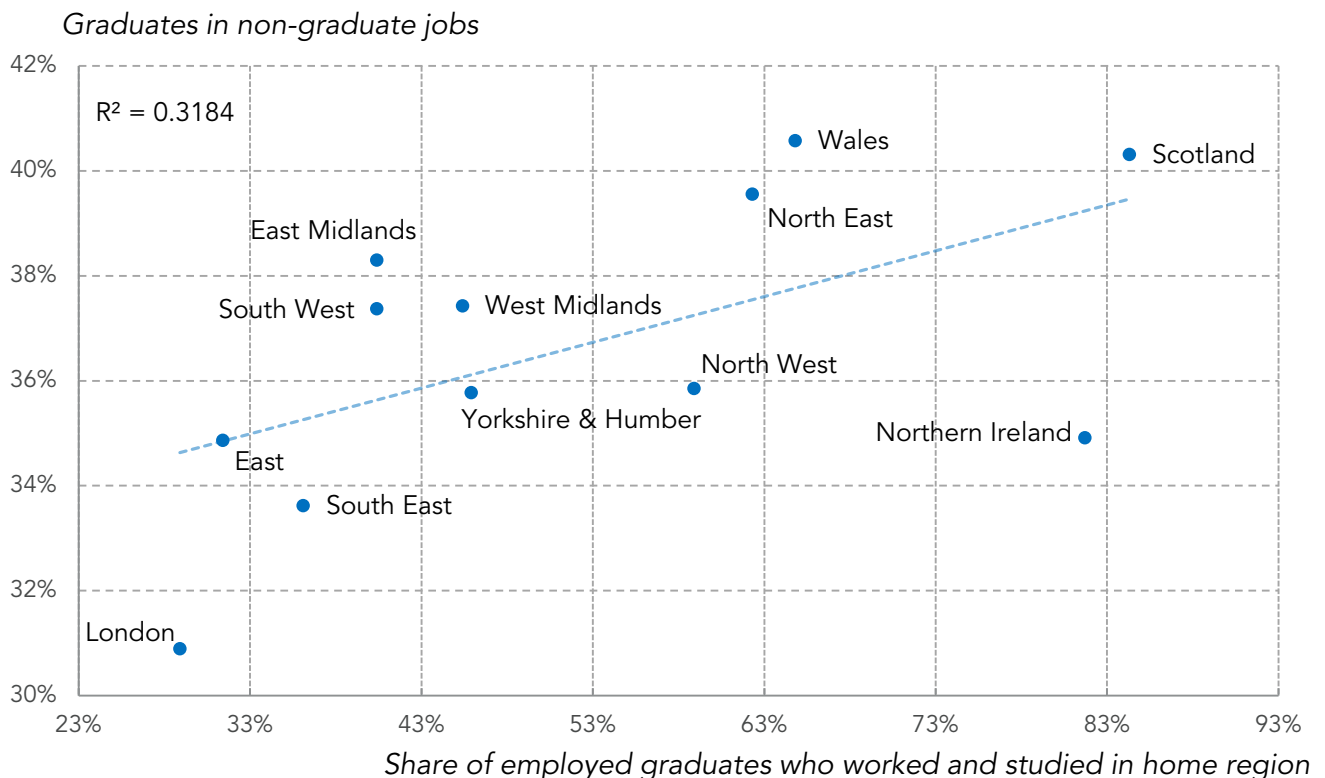
Conclusion: increasingly the policy challenge on regional mobility relates to matching people to jobs that utilise their skills

Concerns about internal migration and job mobility have traditionally focused on encouraging unemployed people to move to find work. Policy makers have long sought to narrow regional differences in employment rates and boost aggregate output by connecting those out of work to where demand is. However, as we have seen, regional differences in employment are far lower than they were in the past and those moving region to find work account for a small share (around 10 per cent) of those moving region and starting new jobs.

Increasingly, the challenge is not about connecting the unemployed to jobs but ensuring that people are matched to jobs that best utilise their talents. This challenge is also one that may have been tackled by means other than just encouraging people to move.

The link between job matching and mobility is particularly apparent when we look at trends in graduates in non-graduate jobs. This share has increased from 31.0 per cent to 35.6 per cent over the past 15 years, coinciding with the decline in the number of people moving region and changing jobs. This co-occurrence doesn't prove any causal link, but it's worth noting the finding from Figure 11 that less mobile graduates (as measured by those who work in the same region that they studied in) are more likely to be in non-graduate jobs.

Figure 11: Areas with graduates that have remained in their home region tend to have more graduates in non-graduate jobs



Notes: Share of employed 'established' (out of education for five years or more) graduates of higher education working in non-graduate roles.

Share of graduates working one year after graduating in the same region that they studied in and were previously domiciled in.

Source: RF analysis of ONS, Labour Force Survey and Higher Education Statistics Agency data

The chart shows that around 63 per cent of employed graduates in the North East studied in the region, compared to 52 per cent in the UK as whole and 29 per cent in London. Turning to the proportion of graduates in non-graduate roles, we see that the figure falls from roughly 40 per cent in the North East to 36 per cent overall and just 31 per cent in London.

Graduates in non-graduate jobs are just one manifestation of the challenge of matching people to jobs that utilise their skills. It may seem that the natural conclusion is that policy makers should try and boost regional job-to-job moves. And indeed, where there are barriers to mobility – for instance where constrained housing supply prevents people from finding affordable accommodation near to job opportunities – these should be reduced. However, government could and should also do more to help people find work that best suits their skills *without* relocating. This might include increased investment in transport and other forms of infrastructure. The government's industrial strategy offers one means of focusing efforts in this area

As the UK tries to solve the productivity puzzle and end almost a decade-long earnings squeeze this is an issue that should command more attention from policy makers. It's debatable whether the challenge was *ever* about ensuring that everyone had the opportunity to access work as was sometimes characterised by politicians; but it's clear that today's challenge is definitely one of accessing more productive employment.

Annex

Datasets

The report draws upon the Labour Force Survey (LFS) and Annual Survey of Hours and Earnings (ASHE). In the case of the LFS We make use of the cross-sectional micro datasets and we make use of the longitudinal element of the ASHE dataset.

Geography

In this report the 12 regions/nations defined by the ONS are:

- » North East
- » North West
- » Yorkshire & Humberside
- » East Midlands
- » West Midlands
- » Eastern
- » London
- » South East
- » South West
- » Wales
- » Scotland
- » Northern Ireland

The 19 sub-regions/nations defined by the ONS are:

- » Tyne & Wear
- » Rest of the North East
- » Greater Manchester
- » Merseyside
- » Rest of the North West
- » South Yorkshire
- » West Yorkshire
- » Rest of Yorkshire & Humberside
- » East Midlands
- » West Midlands (met county)
- » Rest of West Midlands
- » Eastern
- » Inner London
- » Outer London
- » South East
- » South West
- » Wales
- » Strathclyde
- » Rest of Scotland
- » Northern Ireland

Regression modelling

Table 1 show the results from four regression models. We construct these models to investigate the relationship being moving region and moving employer and various personal and economic characteristics. The first two models are just run on the 16 – 34 population, while the second two are run just on the graduate population.

All models run a logit regression with the following structure:

Probability individual will move region and change employer = sex + gross weekly earnings + ethnicity + immigrant (binary indicator) + tenure

The 16 – 34 model also includes a binary graduate, non-graduate variable. The graduate model includes a binary age variable (those aged 16 – 34 and those aged 35 – 49).

We also include year dummies to look at the changing probability over time. We include robust standard errors to correct for heteroscedasticity. Coefficients are presented as odds ratios. In an odds ratio the denominator is the odds that the base category will move region and job and so if the odds for the other category or categories are equal to the base category then the ratio will be one, implying no difference between the two groups. If the probabilities are different then the odds ratio describes how much more or less likely the category is to move region and job compared to the base category.

Resolution Foundation

Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- » *undertaking research and economic analysis to understand the challenges facing people on a low to middle income;*
- » *developing practical and effective policy proposals; and*
- » *engaging with policy makers and stakeholders to influence decision-making and bring about change.*

For more information on this report, contact:

Stephen Clarke

Policy and Research Analyst

stephen.clarke@resolutionfoundation.org

020 3372 2953