

## Written evidence submitted by the Tax and Welfare Research Group, Bangor Business School, Bangor University

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### About us

The Tax and Welfare research group is a part of [Rhanbarth](#) – the Centre for Sustainable Regions and Economies – at Bangor University. We are interested in examining all topics relating to taxes and benefits in Wales and similar nations/territories around the world. The group brings together economists, accountants, and other social scientists to consider taxation and welfare from a variety of perspectives. Members of the multidisciplinary team have an existing reputation of working together with partners on issues relating to devolved taxes and social welfare programmes in Wales.

The group is interested in the ways in which demographics impact upon tax and welfare systems, particularly within the Welsh context.

### Are young people leaving Wales? Why?

[Census 2021 data](#) show that the Welsh population grew by 1.4% over the previous decade. This figure masks significant variation by age and by geography.

The cohort analysis shown in Table 1 reveals a 7% fall in the number of people born in the years 1986 to 1996 residing in Wales during the decade up to 2021. This contrasts with a 7% increase in the number of people born in the years 1996 to 2006. For older cohorts the changes are much less pronounced.

We can conclude that during the decade 2011 to 2021, there was significant net immigration of individuals in their late teens to early twenties but slightly higher levels of net emigration of individuals in their late twenties to early thirties.

Taken as a whole, the number of people born in the years 1986 to 2006 residing in Wales fell by 0.8% over the decade up to 2021. Figure 1 shows how this figure varied across Wales's local authority areas.

There are significant differences in the changes in the population of this cohort across different regions of Wales. It is notable that Cardiff, Swansea and Neath Port Talbot are the only areas where the population of this "young" cohort grew at a faster rate than the population at large.

We believe that it is appropriate to conclude, based on Census data, that there was a significant emigration of young people from Wales during the decade up to 2021. Combined with lower birth rates and immigration of older people, this constitutes a significant demographic challenge.

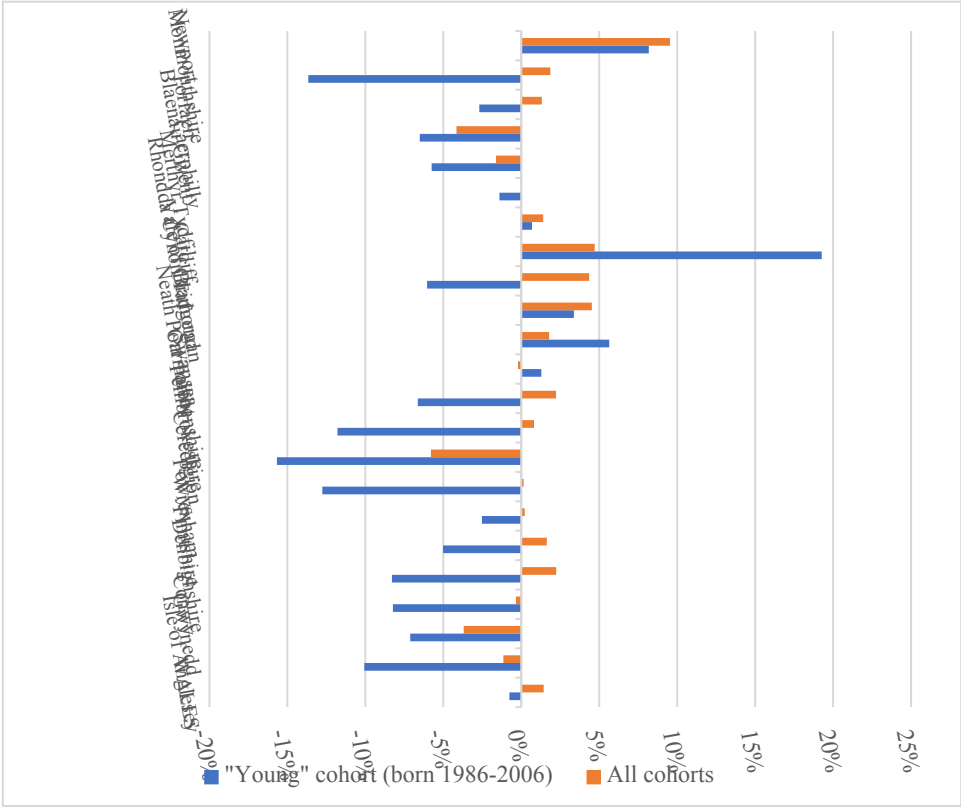
*Table 1: Population of Wales by birthyear cohort, 2011 and 2021.*

BIRTH YEAR	TOTAL 2011	TOTAL 2021	CHANGE	% CHANGE
2016-2021	N/A	155,100	N/A	N/A
2011-2016	N/A	176,000	N/A	N/A
2006-2011	178,301	182,800	4,499	2.5%

2001-2006	163,079	175,800	12,721	7.8%
1996-2001	177,748	187,700	9,952	5.6%
1991-1996	199,120	186,500	-12,620	-6.3%
1986-1991	211,924	196,200	-15,724	-7.4%
1981-1986	185,728	186,200	472	0.3%
1976-1981	174,694	175,400	706	0.4%
1971-1976	183,045	186,100	3,055	1.7%
1966-1971	213,155	215,700	2,545	1.2%
1961-1966	220,711	222,700	1,989	0.9%
1956-1961	201,599	199,600	-1,999	-1.0%
1951-1956	186,923	177,700	-9,223	-4.9%
1946-1951	204,885	181,300	-23,585	-11.5%
1941-1946	166,007	131,400	-34,607	-20.8%
1936-1941	134,543	89,100	-45,443	-33.8%
1931-1936	108,202	52,900	-55,302	-51.1%
1931 and prior	153,792	29,600	-124,192	-80.8%
<b>ALL COHORTS</b>	<b>3,063,456</b>	<b>3,107,800</b>	<b>44,344</b>	<b>1.4%</b>

Source: [ONS Census data](#) and authors' calculations

Figure 1: Change in total population and in population born 1986-2006 over the decade to 2021 by LA area.



Source: [ONS Census data](#) and authors' calculations

What are the underlying drivers of changes in Wales’s population highlighted by the 2021 Census, in particular depopulation and ageing in some areas?

We are unaware of any work considering the underlying drivers of migration in the Welsh context. We believe that this is an area that deserves attention. Indeed, we are currently advertising an

opportunity on our website for a PhD project that seeks to analyse the linkages between the Welsh tax base and the key fundamentals of the Welsh economy, polity, and society which drive migration and demography. This project would clearly need to identify what those fundamentals are.

The wider literature on international and internal migration identifies several factors that potentially determine migration flows. Differences in earnings or rates of pay across locations and differences in the likelihood of finding employment are key drivers of migration. However, the nature of the relationship between labour market outcomes and migration appears to vary across space and time.

At a more fundamental level, the literature attempts to explain the persistence in these differing labour market outcomes. Explanations include scale economies and agglomeration economies; infrastructure and amenities; surplus labour and skills differentials.

The literature relates to various within-state and international contexts, some of which are likely to be more relevant to the Welsh context than others.

A longer summary of the literature is provided in Appendix 1.

### What are the main impacts of the decreasing number of economically active people in Wales?

The total number of economically active people in Wales in May-July 2023 was 1,542,000. This figure is higher than at any time prior to 2018 and has only been surpassed occasionally since. The economic activity rate, at 59.9%, is less exceptional from an historical perspective but remains above the average for the last thirty years (see [ONS labour market data for Wales](#)). These figures reflect the growing population of Wales and increased labour market participation over the last thirty years, which have mitigated some of the effects of the migration discussed above.

Wales, however, remains uniquely exposed in the UK context to the potential increase in peripherality of its economy. The Welsh Government lacks the fiscal powers of the Scottish or English/UK Governments and, unlike their counterparts in the English regions, Welsh public services are not funded on a needs-basis. Increases in the dependency ratio are, therefore, likely to be harder to fund in the Welsh context than elsewhere in the UK.

### What will the impact of population trends be on the demand for and delivery of public services, including housing, education and healthcare?

Demand for public services in Wales, and the UK in general, is increasing due to the ageing population, increasing costs of living and government austerity in public service spending. For instance, Audit Wales (2021), predict a growth of 74% (n=126,000) in Welsh residents aged 80 and over by 2043. The Office for National Statistics (ONS) predicts a general population growth in Wales of around 1.9% (n=60,000) between 2021 and 2031, which includes an increase of 17.5% (n=119,000) of those over the age of 65 ([ONS 2020](#)).

A growth in population comes hand in hand with a growth in demand for public services, be it housing, health, education, transport, or social welfare. However, whilst demand may well increase, the supply of public services in Wales has been challenging. For example, between 2010 and 2020 Wales saw an 8% (n=26,000) decline in its public service workforce, and an overall 3% decline in the Welsh Government's revenue budget (in real terms), from which public services are funded, in 2019/20 as compared to its budget ten years ago (2010/11) (Audit Wales 2021). Local authority

services spending in Wales has reduced by 7% between 2013/14 and 2019/20 (in real terms), whilst spending on 'social services', 'council tax benefit' and 'administration' increased by 10% in the same period; also creating spending cuts in other service areas, for instance, transport, library and sports facilities, and refuse collection (Welsh Parliament, 2021). Wales Fiscal Analysis (WFA, 2020) predicts that by 2025/26, social welfare services spending could represent 55% of all local authority spending.

Appendix 2 delves into greater details regarding the challenges facing public services and welfare provision in Wales in the face of ongoing demographic change. It references numerous examples of work carried out in Bangor University relating to these challenges.

### What steps should the Government take to mitigate the challenges of population change in Wales? How can young people be incentivised to stay?

There is a need to better understand young peoples' motivations to leave before being able to fully address this question. Possible answers might include improving the attractiveness of higher education in Wales (via quality and funding) and policies to invigorate the labour market. However, cultural attractiveness and community vitality may also play a key part in attracting young people to stay, as well as in attracting in-migration. Concerns around the cost of living, and the housing market in particular, may also be of importance.

### How can educated and skilled migrants be encouraged to fill labour shortages?

The following policies could be used to attract skilled migrants:

- **Recognition of Foreign Qualifications:** Establish mechanisms to recognize and validate foreign qualifications, ensuring that skilled migrants can easily integrate into the local labour market without unnecessary retraining or credentialing.
- **Targeted Recruitment:** Actively recruit skilled workers from countries or regions with a surplus of talent in fields where labour shortages exist in Wales. Identify countries with similar educational systems and skill standards.
- **Job Matching Services:** Create online platforms or job boards that connect skilled migrants with potential employers looking for their specific skills. Facilitate networking events and job fairs for migrants and employers to meet.
- **Language and Cultural Training:** Provide language and cultural integration programs to help migrants adapt and communicate effectively in their new work environment.
- **Family Support:** Recognize the importance of family considerations for migrants. Policies that support the well-being and integration of migrants' families can be a significant factor in their decision to stay.
- **Temporary Visas with Pathways to Permanent Residency:** Offer temporary work visas with clear pathways to permanent residency or citizenship for skilled migrants. This can incentivize them to commit to the country long-term.
- **Tax and Financial Incentives:** Provide tax incentives or financial support to both skilled migrants and employers who hire them, especially in industries facing acute labour shortages.
- **Collaboration with Employers:** Work closely with industry associations and employers to identify specific skill shortages and tailor immigration policies accordingly.

- **Community Integration:** Support initiatives that encourage migrants to integrate into the local community, helping them feel welcomed and valued.
- **Data and Monitoring:** Continuously collect and analyse data on labour market needs, the success of migrant integration programs, and the contributions of skilled migrants to the economy. Use this data to adjust policies as needed.
- **Public Awareness:** Educate the public about the benefits of skilled migration and its positive impact on the economy, emphasizing that it complements rather than competes with the local workforce.
- **Global Partnerships:** Collaborate with other countries and international organizations to facilitate the movement of skilled workers and promote global talent mobility.

How important is migration, both from within the UK and outside the UK, to enable Wales to grow its population and minimise the reduction in the numbers of people of working age?

**Population Growth:** Wales, like many other regions, faces demographic challenges such as an aging population and low birth rates. Migration helps counteract these trends by bringing in new residents, contributing to overall population growth.

**Maintaining a Working-Age Population:** A healthy working-age population is vital for economic growth. Migration, especially from outside the UK, can help offset the natural aging of the population and ensure a sufficient workforce to support economic activities.

**Filling Skills Gaps:** Migration allows Wales to attract individuals with specific skills and qualifications that are in demand in various industries. This is particularly important for addressing skill shortages in sectors such as healthcare, technology, and engineering.

**Economic Contribution:** Migrants, both domestic and international, often play a crucial role in driving economic growth. They contribute to tax revenues, consumer spending, and entrepreneurship, which can boost the local economy.

**Cultural and Social Diversity:** Migration brings cultural diversity to Wales, enriching its social fabric and contributing to a vibrant and inclusive society.

**Innovation and Entrepreneurship:** Skilled migrants can bring fresh perspectives, ideas, and innovation. They may start new businesses, invest in local industries, and contribute to technological advancements.

**Healthcare and Social Services:** Migrants can help support healthcare and social services by filling positions in the healthcare sector and contributing to the funding of these services through taxation.

**Community Revitalization:** In some cases, migration can help revitalize communities that are experiencing population decline, supporting local services and businesses.

**Long-Term Sustainability:** Planning for sustainable population growth through migration could help ensure that Wales has the necessary workforce and tax base to support public services and infrastructure in the future.

Does the Shortage Occupation List and the Skilled Migrants list currently meet Wales's needs? How can the UK Government's immigration targets better reflect Wales's social and economic needs?

Our understanding is that the Shortage Occupation List (SOL) and the Skilled Migrants List are set and applied uniformly across the entire UK. These lists are managed by the UK government's Home Office and were not specifically tailored to meet the distinct needs of individual nations such as Wales.

However, it's worth noting that the UK government had expressed intentions to consider regional variations in immigration policies, including skilled migration, to address specific labour market needs and shortages in different parts of the UK. These intentions were part of broader discussions regarding the implementation of the UK's post-Brexit immigration system, which included the introduction of the Points-Based System (PBS).

A less centralised approach to immigration policy would likely lead to better skills matching. Here are some strategies and considerations that could help achieve this:

- **Regional Variation in Immigration Targets:** Tailor immigration targets to reflect the specific economic and demographic needs of Wales. Recognize that different regions within the UK may have varying skill shortages, industries, and population dynamics.
- **Collaboration with Devolved Governments:** Engage in close collaboration with the Welsh Government and other devolved administrations to develop immigration policies that align with their priorities. This includes consulting with regional stakeholders, such as business leaders and local authorities.
- **Skills-Based Immigration:** Implement a flexible, points-based immigration system that prioritizes skills and qualifications needed in Wales. Allow Welsh Government and local authorities to nominate or request specific skill categories to meet local labour market demands.
- **Shortage Occupation List (SOL):** Review and expand the Shortage Occupation List to include professions and skills that are in demand in Wales but may not be UK wide shortages. This can make it easier for Welsh employers to hire skilled workers from abroad.
- **Regional Visas:** Consider the introduction of regional visas or visa subcategories that encourage skilled workers to settle and work in Wales. These visas could have specific criteria and incentives tied to Welsh employment opportunities and communities.
- **Education and Training:** Invest in local education and training programs to upskill the domestic workforce, reducing reliance on immigration. Align training with the specific needs of Welsh industries.
- **Entrepreneurship and Innovation:** Encourage entrepreneurship and innovation by providing incentives for skilled migrants to start businesses or invest in Wales, contributing to economic growth.
- **English Language Proficiency:** Ensure that language requirements are realistic and appropriate for the local context in Wales, particularly in areas where Welsh is spoken.
- **Family Reunification:** Consider the unique needs of Welsh communities regarding family reunification policies, recognizing cultural and social factors.
- **Monitoring and Evaluation:** Continuously monitor the impact of immigration policies on Wales's social and economic well-being. Be willing to adjust policies based on data and feedback.

- Public Awareness: Educate the public and local communities about the benefits of immigration and its positive contribution to the Welsh economy and society.
- Global Talent Attraction: Promote Wales internationally as an attractive destination for skilled professionals and researchers, highlighting its quality of life, education, and career opportunities.

## Appendix 1 – Summary of the Literature on the Determinants of Migration

The common distinction between push and pull factors driving migration is misplaced; private decisions to move or stay are driven by the differentials in opportunities across locations. In turn, more fundamental forces shape some of these proximate causes, representing deeper elements driving population movements.

### Labour Market Differentials

An influential 1992 paper by Blanchard and Katz was supportive of the notion that net migration was a key mechanism through which local labour markets adjusted to a shock. Blanchard and Katz (1992) used US data from 1978 to 1990 from the Current Population Survey (CPS) to show that a shock to employment growth in a state (measured as deviation in annual state employment growth from national employment growth) led to a persistently lower employment level on average, with no persistent effects on employment rates (either the unemployment or labour force participation rates).

Dao et al. (2017) revisit the key ideas from Blanchard and Katz (1992) and show more directly that the nature of local labour market adjustment to demand shocks has changed in the last few decades – and that the diminished responsiveness of net migration is a key reason for the change in how local labour markets adjust. The authors take a similar approach to Blanchard and Katz (1992) by estimating adjustment margins at the state level's response to demand shocks. However, they extend the Blanchard and Katz (1992) sample with an additional 20 years of data and make other methodological innovations, including using administrative data on migration flows instead of inferring population adjustment from CPS-based measures. Among the many useful contributions of this analysis is a demonstration that after 1990, the net migration response to a state-level demand shock has been smaller on average than in earlier periods, and the response of the unemployment and labour force participation rates is larger.

Consistent with this more recent understanding, Foote et al. (2019) show that before 2007, US counties that experienced a mass layoff generally adjusted employment levels via out-migration; after 2007, the out-migration response became less important, and the labour force participation rate was the primary mechanism of adjustment. Similarly, Partridge et al. (2012) use a Bartik shock as an instrument for local demand shocks and show that county population growth and net migration were less responsive to a demand shock in 2000–2007 than in 1990–2000. Also supporting the minimal importance of migration as an equilibrating mechanism over the past few decades, Molloy et al. (2019) show that in less prosperous metro areas, outflow rates were on average no greater than in more prosperous areas.

As this latest generation of research on local labour market adjustment has suggested that migration is less responsive than previously thought, some other consistent and important findings have also emerged. For one, migration into an area appears to be more responsive to labour market shocks in the receiving area than migration out of an area is to shocks in the sending area (Monras, 2018). Relatedly, migration decisions appear to be more responsive to positive shocks than to negative ones (Dao et al. 2017).

### Rural, Urban and Peri-urban Migration

The evidence on rural-urban migration points fairly unanimously to the differences in earning opportunities between village and town as an important factor driving relocation. Most of this evidence is confined to differences in earnings or rates of pay, though occasionally the likelihood of



finding employment is also represented. Although the association may be positive, measuring just how responsive are migration flows to such earnings gaps proves difficult. Surveys of migrants normally tell us nothing about their pay prior to moving; surveys of non-movers can, at best, ask impressions of what might be earned if they move. Typically, earnings foregone at origin or potentially available at destination are imputed, raising problems of whether non-movers would actually earn as much as their measurably equivalent counterparts in town; perhaps migrants are more enterprising and hence earn more. A simple view of the migration process suggests that it would result in wage convergence; the diminished supply of labour in rural areas and the swelling ranks of workers arriving in town should push wages closer together across space. Yet a large wage gap between rural and urban areas seems to persist and migration is an on-going phenomenon. At a more fundamental level, the driver is then whatever is at work, sustaining the substantial gap in real earnings. At least three groups of explanation may be distinguished, though the three need not be mutually exclusive. First are a number of arguments raised to suggest downward rigidity in urban wages, at least in the formal sector, or upward inflexibility in rural pay levels. Among the latter are the early surplus-labour models, perhaps buttressed by family income sharing, though these seem difficult to square with attempts to maximize family income. Some of the contentions with respect to downward rigidity in the urban sector reflect the nature of the formal labour markets; the presence of collective bargaining, a minimum wage law enforced only in formal settings, or some variant on the efficiency wage theories. A popular form of the last of these, efficiency wage theories, is the notion that employers pay above the norm to hold a threat over workers caught cheating or putting in little effort. Second is a suggestion that the rural-urban wage gap largely reflects differences in skills. Young (2013) uses the Demographic and Health Surveys for 65 countries to show that the urban-rural wage gap accounts for about 40 percent of within-country consumption inequality on average. From the same data Young (2013, p. 1,727) also notes that "One out of every four or five individuals raised in rural areas moves to urban areas as a young adult, where they earn much higher incomes than non-migrant rural permanent residents. Equally, one out of every four or five individuals raised in urban areas moves to rural areas as a young adult, where they earn much lower incomes than their non-migrant urban cousins."

There is far less evidence on earnings-differentials as a driver of rural-rural migration. Indeed, seasonal movements are probably driven more by the availability of work than by pay differentials among wage workers. Whether taking up jobs on public works projects requires migration obviously depends upon the policy strategy with respect to locating such projects. Land markets are typically very thin; selling land in one place and buying elsewhere is rarely an option, severely limiting mobility of self-employed farmers. Kondylis (2008) examines a context in which land was made available to returning refugees in Rwanda. Since this land was not necessarily in the refugees' home territories, this amounts to internal migration via refugee status. Several reasons for skill loss among the refugees are posited: from the trauma of displacement, from lack of relevant on-the-job experience while out of the country, and from inability of parents to pass along skills to their children. Here productivity of the returned refugees became greater if they were surrounded by stayers rather than fellow refugees, suggesting an ability to learn from their new neighbours who had remained in Rwanda. Bazzi et al. (2014) examine a quite different context in which access to new land did prove feasible; the transmigration experiment in Indonesia, in which families from Java and Bali were voluntarily relocated to the outer islands. The evidence compiled by Bazzi and his co-authors shows that if the agroclimatic conditions from the migrants' origin match those in their new homes then farming productivity is greater than when agroclimatic conditions differ. Moreover the differential in agricultural productivity persisted. This suggests that acquired skills that are specific to a particular agroclimate are important and that learning new skills may be a protracted process.

More generally an inability to transfer skills to a new setting, especially if learning such skills is very protracted, points to a limiting factor in rural-rural migration, presumably leading to sorting on similar agroclimatic zones.

In high-income countries, migration redistributed populations from congested city centres into the sparsely populated outskirts, raising challenges to environmental and population health and the conservation of biodiversity. Lerch (2022) evaluated whether this peri-urbanisation process came to a halt in Switzerland by expecting a decline in internal migration and a renewed residential attractiveness of urban agglomeration centres (i.e. re-urbanisation). These are two recent trend changes observed in Europe. Relying on data from censuses, registers and surveys, Lerch (2022) describe trends in the intensity, geography and sociodemographic differentials of migration across consistently defined urban agglomeration density zones between 1966 and 2018. Although the overall intensity of migration declined, the rate increased among the working age population in part because of the societal diffusion of tertiary education. The dominant urban-bound migration flows are increasingly confined within agglomerations over time. After the diffusion of peri-urbanisation down the city hierarchy between 1966 and 1990, Lerch (2022) observed the emergence of re-urbanisation in some agglomerations and sociodemographic groups around 2000. However, this phenomenon was temporarily inflated by period-specific transformations in Swiss society. More recently, the process of peri-urbanisation intensified again and expanded more and more beyond official agglomeration borders.

### Agglomeration and scale economies

Scale economies and the demands upon infrastructure result in most industries being located in urban areas. In the low-income countries of South Asia and Sub-Saharan Africa, the overwhelming majority of employment is in, or quite directly dependent upon, the agricultural sector. Agricultural sectors rarely exhibit rapid growth, posing tensions when population expansion remains rapid. As incomes rise there is normally a sectoral shift out of agriculture into industry and various services, with commensurate movement of labour from rural to urban areas. How rapidly this transformation occurs thus depends critically upon the development strategy adopted, upon the resulting balance between industry and agriculture as well as the technologies and techniques of production adopted in both sectors. The service sectors tend to grow alongside, both to provide inputs to the production processes for agriculture and industry and to serve the demands from growing household incomes. The early import substitution strategies of the 1950s and 1960s protected the industrial sectors, in part to speed up the transformation process. However, protection of heavy, capital-intensive industries resulted in little job-creation; large portions of saving were directed into investments with little employment expansion. (Lucas, 1988, 1989). Where manufacturing sectors have proved more labour-intensive, often based on export potential, urban expansion and the transformation out of dependence on agriculture have accelerated. Witness the staggering, on-going transformation of China.

Improved amenities in a location may attract industry or permit agricultural expansion. To the extent that this results in employment expansion or higher wages, out-migration may be discouraged and in-migration encouraged. Improved local amenities, such as better schools, health centres, electricity, and greater security, may also have a direct effect upon migrants' decisions, simply by making life in this setting more attractive. On the other hand, some forms of improved local amenities could exacerbate net out-migration. It is feasible that improved rural transport could act in this fashion, by affecting local production patterns and hence perhaps reducing the local demand for labour, and possibly by making departure and return visits easier (though commuting also becomes an easier alternative to migration). Similarly, improved educational access may facilitate

easier movement into town or even abroad. Very little evidence exists on the effects of amenities on migration outcomes in the developing countries. An exception is the work of Fafchamps and Shilpi (2013) who include measures of travel time to the nearest paved road and to the nearest bank in their analysis of the determinants of location decision among internal migrants in Nepal. Proximity to a paved road, though not to a bank, proves significantly, positively correlated with selection as a destination, though the authors note the potential for reverse causality when a concentration of migrants induces amenity installation. Lall et al. (2009) adopt a more detailed vector of amenities (the number of hospitals available, access to electricity, piped water and sewage) in examining the choice of destination among both better-educated and less-well-educated, Brazilian migrants. The authors note the potential bias from omitted variables (including other amenities) and hence prefer a first-differenced approach across two censuses, with the result that, for the most part, the expected signs are confirmed; better amenities do attract. Ackah and Medvedev (2010, p.1) report, upon examining internal migration in Ghana, that “The probability of migration is higher for younger and more educated individuals, but communities with higher levels of literacy, higher rates of subsidized medical care, and better access to water and sanitation are less likely to produce migrants”. The little evidence we have thus suggests that better amenities both attract migrants and discourage outmigration, though more analysis of the extent to which these associations are actually causal would be valuable, given the potential for policy implications.

## Education

De Vreyer et al. (2009) show that the returns to education are a key factor in driving two-way migration patterns amongst the capital cities of Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal and Togo. The private rate of return to education in rural areas of developing countries is more difficult to measure. Most existing studies focus exclusively on off-farm wages. However, in contexts where self-employment in farming is the norm, such a focus offers a biased impression; selection into types of employment is not random. For example, De Brauw and Rozelle (2008) show that the returns to education in off-farm wages in rural China are greater after adjusting for selection (and defining measures and sampling more carefully). Estimating the returns to education in farming is even more difficult, though most micro-level studies do indicate a positive return. Although the returns to education among rural inhabitants are positive, the returns are greater still in urban areas and education of individuals is accordingly, positively correlated with their propensity to migrate into town. Including these migrants in computing the returns to rural education would raise the estimated returns on rural schooling. More generally, education is often found to be correlated with more distant moves, including emigration. Rural education can thus offer a key to the transition out of rural life. Most likely it also increases social mobility, reducing the strong influence of farming family background on outcomes of the next generation, though no tests of the link between migration and intergenerational mobility appear to exist, either in the high-income or developing economies.

## Distance and Geography

Lomax et al. (2008) discusses in one of their chapters the migration trends in the UK, a state that is middle ranking in migration intensity. It outlines the problems in constructing a consistent long-term time series across the constituent countries of the UK and considers the datasets that can be used to overcome these. The analysis explores trends in migration by distance of move and also by geographical area with a special focus on the North/South Divide and London. Its chief findings are that there is no evidence that the inter-regional migration rate has trended down since the 1970s but that it has varied cyclically according to the state of the economy. Flows across the North/South Divide and between London and the rest of the country exhibit similar cyclical patterns. However,

there is evidence that the rate of shorter-distance moving has declined since the 1970s. Possible causes for the patterns observed across all spatial scales include stickiness in the housing market, the expansion of higher education, and the substitution of other types of mobility for address-changing. The economic fortunes of London also seem to be of key importance given its dominance within the UK. Further work to clarify the relationship between internal and international migration intensities is advocated.

## Networks

Network theory claims that migration as a social outcome is based on the complex interplay of decisions taken by individual actors, family and friends, migrant organisations, and other economic and political factors (Boyd, 1989). Social networks hereby influence not only whether and how migration takes place, but also where migrants are predominantly moving to (Haug, 2008). Ritchey (1976) states that people with access to relevant social capital incentivises migration by providing information, financial assistance, and practical support. However, Heitmueller (2006) adds that network effects can go in both directions, that is information provided through networks is not necessarily only positive but can also discourage migration. More migrants at a particular place has a positive community and family effect attracting more migrants to this destination. At the same time, local labour markets may saturate, and wages might in turn decrease.

## Appendix 2 - Challenges Facing Public Services and Welfare Provision in Wales

Wales has faced turbulent socio-inequalities in terms of social welfare provision, worsened by austerity in government welfare spending, stricter limitations on eligibility, cost of living crisis and mass job redundancies due to closures of some major employers in local communities (e.g., the recent closure of 2Sisters on Anglesey which employed more than 700 employees).

According to Closs-Davies et al. (2021a) Wales differs from other countries in the UK: it is considerably poorer as it faces higher poverty rates and lower economic production as measured by GDP. Statistics for Wales (2023) announced in the quarter ending March 2023 there were approximately 68,300 unemployed people in Wales, up by 23,200 people as compared to the same quarter the previous year. This equates to an unemployment rate of 4.6% as compared to the UK unemployment rate of 3.9%. According to the Bevan Foundation (2020), 25% of households in Wales faced reduced income due to the Covid-19 pandemic, whilst the cost of living increased for more than 40% of households. This resulted in an increase in the demand for social welfare public services in Wales and those claiming social security support. According to the DWP, “over 125,000 more people in Wales claimed UC in April 2021 as compared to before the pandemic: most of which during March to May 2020” (Closs-Davies et al. 2021a). The effects of the pandemic continues to impact on people in Wales, placing more pressure on public services.

Welsh Government, and local authorities in Wales, have implemented several devolved financial and in-kind support programmes tailored towards the local needs of low-income households in Wales, such as, the Council Tax Reduction Scheme, Free School Meals, Education Maintenance Allowance, and Discretionary Assistance Fund). However, problems in terms of service delivery continue to persist (Bevan Foundation, 2020a). These include the isolated and remote nature of different programmes that operate independently of each other, and are administered in digitised ways, forcing individuals to navigate through multiple and complex application forms and procedures, information communication technology and changing welfare support workers and departments (Closs-Davies et al, 2021a; 2021b; 2021c; 2021d). These types of challenges reduce accessibility and prevent some individuals from using public services, leading to a worsened state of affairs. This is particularly the case for the most vulnerable people in Wales, such as those who live alone and/or in rural locations, those who have learning difficulties, suffer from mental/physical health and the older generation. Moreover, some of those who do claim social welfare support, report that the value of financial support (in real terms) is not enough to meet needs. For example, the amount of Education Maintenance Allowance has remained unchanged since the mid-2000s, resulting in young people from low-income families losing out on £15 per week because of inflation (Bevan Foundation, 2020a). As argued by Closs-Davies (2021a), “if the amount of financial support were to be improved, this would help young individuals improve their educational position, gain qualifications and training, resulting in potentially improving their position in the labour market, and, in turn, reducing unemployment levels in Wales, whilst also increasing income tax revenue and national insurance contributions”.

The reduction in grant funding for local authorities have been mitigated, to some degree, by increasing local taxes. According to StatsWales, although local authority funding mostly comes from grant funding, revenue from local council taxpayers increased by almost 30% between 2013/14 and 2019/20 (this excludes residents who are part of the council tax benefit/reduction scheme funding programmes). However, continuing to raise council tax bills is not sustainable nor sufficient to fund the projected increase in public service demand in Wales. In addition, according to WFA (2020), “the

UK government's medium-term spending plans make for a more austere outlook for the Welsh budget and Welsh public services", outlining potential instability and further austerity for public services spending and investment.

Not only is Wales facing increasing demand for public service in the future, and potentially continued lack of public services resources (e.g., decline in grant funding and workforce), public services performance is "poor" when compared to other countries (Welsh Government 2014, p.71). Some areas perform better than others which creates a 'postcode lottery' effect and competition between public services providers in different areas. According to Welsh Government (2014), poor public services performance is not wholly attributable to lack of commitment nor effort from staff, but rather they stem from systemic, structural and inter-sectional problems across the public sector in Wales.

Such gaps and weaknesses in performance of public social welfare services in Wales are having to be filled and dealt with by the third sector, that is, local and national charities and volunteer groups. However, preliminary findings from current research conducted by Nason, S., Closs-Davies, et al. (2023) show that funding is one of the major issues in the third sector (for all types and sizes of social welfare provider organisations). Most of their funding stem from grants, but there is a lack of funding towards an organisation's core activities, such as building maintenance costs, core staff salaries and training, because funding is usually targeted towards specific needs and projects. In addition, applying for funding usually entails competing against other (local and national) organisations, and once funding is awarded, both small and large organisations have to adhere to strict eligibility and extensive reporting procedures (shifting some of their focus and resources away from their main aims of helping and supporting people).

Grant funding processes also create competition between social welfare advisory organisations, instead of fostering genuine collaboration and the sharing of expertise and resources between them. In addition, grant funding is usually short-term based, so that when funding ceases, advisers either lose their jobs or they get moved to different projects or departments, even though the support and need persist and have not gone away. Funding needs to be long-term so that sustainable support is provided to people in Wales. This also allows the opportunity for advisers to develop knowledge, expertise and relationships with people and understanding of local community needs. Moreover, funding and resources tend to be targeted toward areas where evidence of need and demand can easily be identified and measured. However, this ignores needs that exist in other areas, especially pockets of poverty and deprivation within affluent areas in Wales, which tend to be neglected. These issues can lead to 'piecemeal' and short-lived advice (although the need for support remains), instead of providing holistic and more effective support to help people out of poverty and vulnerable positions, which would help save on social and welfare services spending. Nason, S., Closs-Davies, et al. (2023) also show preliminary signs of local social welfare support organisations being staffed mainly or wholly by volunteers – 'people who want to help' and 'have the time and personality' to help. However, this is not sustainable in future as most organisations report a fall in the number of volunteers and that recruitment and retention of volunteers and paid staff is an issue.

The lack of volunteers, funding, cooperation with other organisations (whilst demand for social welfare advice is increasing) lead people to being referred (signposted) out of the local area which can be difficult for particular groups of people, such as those who live in rural areas and/or lack the financial resources required to pay for travel costs associated with getting help from outside their local area. Others are signposted to get help and support in remote ways which can be difficult for people who lack the required digital literacy skills or have no access to the internet or information communication technology. All these issues impact on the capacity for Wales to deliver seamless,

effective social welfare support services that, when done right, can help improve people's hardship, employment opportunities, mental and physical health, and wellbeing; ultimately, potentially reducing future government spending on social welfare and public services.

There are aspects of good practice within the social welfare advisory sector in Wales. The Covid-19 pandemic forced some social welfare advice providers to collaborate with each other, working at a 'system level'. This created new networks, modes of communication and support between organisations, ultimately creating better and more holistic help and support towards the people in Wales. For instance, Closs-Davies (2021e) found that Citizens Advice Ynys Môn found novel and effective ways of communicating with staff and their clients in remote ways which helped to improve wellbeing, foster closer relationships, provide services that were better tailored toward client needs, and created closer collaboration with other organisations making it possible to provide quicker and holistic support for people. However, there is a danger of falling back into pre-Covid ways of providing support to the public, and this report shows there is a real need to learn from these aspects of good practice created by the pandemic to provide sustainable, systemic collaboration, collective cross-sector intelligence and decision-making, where everyone benefits and work towards a shared goal of reducing socio-economic inequality in Wales. The research conducted by Closs-Davies (2021e) identifies and present ways of doing this, but more research in this area is needed.

The Welsh landscape drawn above shows there is an urgent case for the devolution of responsibilities for public services in Wales. In recent years, Welsh Government has gained some taxation powers, including the power to vary income tax, and legislative powers. However, it lacks power to make real fundamental social welfare policy changes that relate to public services. For instance, Social Security is currently a UK-based (non-devolved) system. With the exception of a small number of devolved welfare powers in Wales (such as Council Tax Reduction Scheme and the Discretionary Assistance Fund), employment law is not devolved to Wales which can restrict the type and degree of changes that can be done in Wales to help reduce unemployment and poverty in specific sectors and locations.

Wales faces the highest poverty rate as compared to the rest of the UK, in particular amongst children, women, and single parents (Closs-Davies et al, 2021a), and drawing from evidence produced in this report, it is clear that Wales has its own unique social welfare needs. Thus, the UK Parliament's Welsh Affairs Select Committee should consider full devolution of the social welfare benefit system so that (non)financial support can be tailored towards the needs of different sectors and types of people in Wales, so that support is provided in tailored and meaningful ways.

In addition, public services (to include social welfare systems and advisory services) need to be more accessible (whether they are delivered remotely or locally) and need to work collaboratively and more effectively with other Government and third-party systems. This would save time, costs, reduce errors and fraud, ultimately benefiting both the Welsh Government, organisations and the people in Wales. Wales should introduce a better foundation and infrastructure to introduce new, and maintain existing, employers in Wales, offer better work security measures that will strengthen employment practices and job security; ultimately improving socio-economic outcomes for individuals and families.





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