

IMPACT OF IMMIGRATION ON ECONOMIC DEVELOPMENT- A CASE STUDY OF

UK

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[Your official name]

[Degree Title],

[university], 20XX

ABSTRACT

The primary aim of the following study is analyse and assess the significance of the impact of immigration on the economic development of UK. For this research, the researcher has selected the case study of UK in order to check the impact of immigration on the economic development. In this research project, the researcher has decided to use quantitative research design for this specific research in order to gather information that is being acquired by using different sources of information in order to analyse the impact of immigration on economic development of the UK. The sample size selected for the study is the data of 1980 till 2015 regarding unemployment, GDP growth rate, and immigrants of the UK. In this research, the researcher has used Eviews to analyse the results and it was found that there is no association between the immigration and the economic development. Therefore, it was recommended that the government of the country should also explicitly take into account the impact of the composition and the future size of the UK population.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction to the Research

The following chapter is the introductory part of the entire research of the study, including contextual background of the study, research aim and objectives, research questions, significance of the study and rationale for the selection of this particular theme for the study to be conducted. This particular research was intended to understand the concept of immigration and economic development in accordance with the theoretical perspective. In this regard, the research is largely focused on the factors and causes of the immigration that can impact on the economic development of the UK. In addition to this, the following chapter also demonstrates statement of the problem on which the entire research is based.

1.2 Background of the Study

The economic influence of immigrants in terms of GDP growth rate has been observed clearly in the era of business and economic expansion of the UK. The theoretical perspective of immigration contemplates the movement of a specific group of people, within the international context, who migrate from one destination towards a different geographical region in search for pasture, work and or sustenance etc. (Genc et al., 2012). According to previous researches and literature conducted by different researchers, such as Manacorda, Manning and Wadsworth (2012) it has been noticed that the impact of immigration on the economic development of a country has both negative and positive outcomes, depending upon the nature of the skill set brought along by the immigrants. Hence, in light of the statement mentioned in the previous statement the present research study has intended to evaluate previous records and data and

subsequently determine whether or not there is a positive impact of immigration on the economic development (GDP Growth Rate) on UK.

1.3 Problem Statement

The possible impact of the immigration on the UK economy is one of the major issues in the public debate regarding immigration. In this regard, a number of studies have been conducted in order to address this concern, however, most of them are concerned with the role of immigration in the economic development of U.S and some are focused on economic development of other European countries and few studies have examined the effect on immigration on the UK economy. Moreover, most of the studies examined the impact of immigration on the economic development; however, these studies have failed to examine the impact of immigration on the GDP growth of the country. Yet as per the directives of the House of Lords, UK, it has been identified that there is no concrete evidence that suggests that immigration has spawned any substantial economic benefits the population of United Kingdom. In this regard, the following research study has intended to fill the research gap in evidence whether or not immigration can influence economic development or GDP growth of the UK.

1.4 Aim and Objectives of the Study

The primary aim of the following study is analyse and assess the significance of the impact of immigration on the economic development of UK. In order to successfully attain the primary aim of the study, the researcher has derived certain secondary objectives for the following study:

- To study the concepts of Immigration and Economic Development from a theoretical perspective.
- To identify key factors that lead towards the economic development of a country.
- To assess the impact of immigration on the economic development (GDP Growth Rate) of UK.
- To provide effective recommendation strategies that can result in the effective utilization of the skills offered by immigrants in augmenting the economic development of UK.

1.5 Research Questions

In order to achieve primary aim of the following research, the researcher was intended to address the following research questions:

- What is the theoretical perspective and concept of Immigration and Economic Development?
- What are the key factors that lead towards the economic development of a company?
- Does immigration have an impact on economic development, particularly the GDP growth of the UK?
- What are the effective recommendationa that could be implemented for the effective use of the skills offered by the immigrants in augmenting the economic development of the UK?

1.6 Rationale of the Study

In the light of the fact that immigrants in the UK have potential impact on the GDP growth, employment rate, and labour market of the UK, hence the prime rationale of the following research is to determine whether or not immigration have an influence on the overall economy of the UK in order to increase the awareness and understanding regarding research problem academically as well as professionally. In addition to this, the economic crises and immigration have already been overextended the economic development of the UK which require deep consideration and understanding. In this regard, the researcher has specifically highlighted the impact of immigration on the UK economy that has provided the researcher an opportunity to understand the concept of immigration and economic development in the light of the theoretical perspective and conception. Moreover, the following research also critically evaluates the willingness of immigrants to the influence the economic situation or position of the UK in order to fill the research gap in evidence regarding the relationship between immigration and economic development, particularly the GDP growth of the UK.

1.7 Significance of the Study

The following research study is expected to play significant role in providing essential information or data to the economist working in the field of local and politician authorities, and labour economies in order to track the statistics of immigration and GDP growth rate of the UK. Furthermore, this study would also be essential for students of economics in order to acquire sufficient information and understanding regarding the factors that can impact economic development and advancement of the country. One of the promising aspects of this particular

study is that it would increase the understanding of the reader regarding the concept and theoretical perspective of immigration and economic development.

The present research has presented effective recommendations for the effective utilisation of the immigrations' skills and competencies that would be beneficial for the organisations in order to increase economic development of the country. Additionally, the present detailed research not only offers opportunities to understand the relationship between immigration and UK economy in terms of GDP growth rate, but also provide reliable information and data to the future researcher in order to conduct the research relevant to this topic. This research would also be helpful for the policymakers in the UK to understand the impact of immigration on economic development and can overwhelm the adverse impact of immigration on the UK economy.

1.8 Definition of Key Terms

The definitions of key terms which are essential for the researcher in order to address the research problem and research questions are discussed below:

1.8.1 Immigration

According to Favell (2016), immigration refers to the international movement of individuals to the destination country of which they are not inhabitants in order to settle themselves as permanent residents or to acquire employment as an immigrant worker.

1.8.2 Economic Development

As stated by McKinnon (2010), economic development could be referred as a process or efforts through which a county seeks to improve the political, economic, and social wellbeing of its people through the rise in GDP and market productivity.

1.8.3 Gross Domestic Product (GDP)

In the words of Forecast (2011), GDP refers to the monetary measurement and estimation of all the finished products and services manufactured within a country in a particular period of time.

1.9 Structure of the Study

In order to achieve research aim and objectives, the present research has included five main chapters such as introduction, review of literature, methodology, results and discussion, and conclusion and recommendations.

Chapter one is the introductory section that includes background of the study, research aim and objectives, problem statement, research questions, rationale of the study, definition of key terms, significance of the study, and structure of the study

Chapter two is the presentation of literature reviews that has been collected from previous researcher relevant to the relationship between immigration and economic development

Chapter three is the methodology section of the research study through which the researcher has collected essential information and data for the research to be performed such as research philosophy, research approach, research strategy, research design, sampling technique, sample size, ethical considerations, and limitations of the research

Chapter four is the determination and evaluation of the data that has been collected in order to analyse the impact of immigration on GDP growth of the UK.

Chapter five is the last chapter of the research study that has played essential role in drawing the conclusion of research findings and results based on the analysis of immigration impact on GDP growth, along with providing effective recommendations to the future researchers and policymakers of the country

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents summary of existing literature and focuses on impacts of immigration on economy of a country in general and focusing on economic models. There is a variety of economic theories and models that have been developed by economists to explain potential and obvious impacts of immigrants on economy. This chapter begins with a general discussion of impacts and then moves on to impact of immigration on GDP and then discusses impact of immigration on unemployment. There is also a discussion of economic models to explain the impacts of immigration on economy.

2.2. Conceptualisation of Immigration

The concept of immigration can be traced back to the era of the 1940s were in the Second World War; there was an increasing demand of the Labour for the war for the purpose of restoring the Britain economy. However, between the 1945 and 1949, there are over 100,000 workers who were admitted in the European Volunteer Workers scheme which is mainly displaced from the Home office records. They were allowed to remain in the Great Britain and over the 25,000 were the immigrants who were accepted as the post-war distressed relatives and the children belonging to the unknown nationality and their spouses.

In the light of Castles, De Haas and Miller (2013), immigration is regarded as the international movement of the people into their destination country because of which they are not called natives or where they do not possess the nationality for the purpose of settling or residing there, especially as the permanent residents or the naturalised citizens. From the economic effects, the research has suggested that the migration is beneficial for both sending and receiving the countries. According to De Haas (2010), the research has reflected that there are few

exceptions in which the immigration on average has positive economic impacts on the native population, but it is mixed with the low-skilled immigration that adversely impacts the low-skilled natives.

According to the study conducted by Richards et al., (2013), there are studies which have represented that the elimination of the barriers for which can have the profound effects on the GDP of the country within the estimation of the gains ranging between 67 to 147 percent. In addition to the above statement, the previous literature has provided mixed findings for the relationship amid the immigration and the criminal activities where the research has presented that the country of origin matters for the depth and speed of immigrant assimilation.

2.3 Impact of Immigration

2.3.1 Paradox of average incomes

There are many authors who conclude in their theoretical and empirical analyses that the destination countries of migration always obtain profits in absolute terms. In the event of the possibility of wage discrimination, if the newly settled immigrants have a lower income in the new country than the rest of the workers, will not their arrival mean a decrease in the average income of the country? (Borjas, 2013) On the other hand, if these same immigrants had below-average income in their country of origin, would not their average income increase in the country of origin? And finally, how do these two positions reconcile with the losses in the country of origin of the migrations pointed out by some authors (Peri, 2012)

In order to arrive at some conclusive explanation, Manacorda, Manning, and Wadsworth, (2012) makes a comparative numerical study between the United States and Mexico in which he

observes the evolution of population data and income levels in different cases: immigrants, permanent residents in the country Host and a group of people who benefit from the extra job offer in the country of destination (especially entrepreneurs) (Hainmueller, Hiscox, and Margalit, 2015).

There could be strong competition for jobs and a loss of income for indigenous workers in the country of destination, especially if newly arrived workers are relatively more skilled than those in the host country. The other possible scenario contemplates that there will be no rent losses for the native workers of the destination country of the migrations, because the immigrants cannot compete with these (Goldring and Landolt, 2012). In this case, immigrants will normally accept jobs to which the national unemployed show little or no interest: domestic service, construction and agriculture are good examples. In this way, the high level of unemployment would be compatible with a strong demand of immigrant labour (Genc, et al., 2012).

What is certain is that reality shows that each case is different and that in practice there are qualified and unskilled immigrants, although the largest group, in more general terms, could be the last (Blau and Kahn, 2012). A priori, it is considered that the profits that entrepreneurs obtain from immigration surpasses well the losses of native workers (in the case of competition in the labour market), so that the whole of the American society would receive in Net terms an insignificant gain from the arrival of immigrants to the United States (Dustmann, Frattini, and Preston, 2012).

2.4 Impact of Immigration on Economic Development (GDP Growth Rate)

The debate on migration policy has never been so hot, both in the political class and in public opinion. Some do not hesitate to carry out various and varied economic studies to the aid

of their arguments (Peri, 2012). The most standard economic science (neoclassical) teaches us that an influx of immigrants is equivalent to a shock of labour supply, which, if the labour market is sufficiently flexible, is easily absorbed at the end of a short time period. But the reality is much more complex, since certain necessary rigidities (SMIC, labour contracts, etc.) slow down adjustments and thus create unemployment situations (what is currently seen in Germany with the influx of refugees) (Borjas, 2013).

Borjas (2014) recalls that this can lead to a net loss of wealth due to the compensation of this increase in unemployment by the natives. Economists have tried to estimate the impact of immigration on GDP and the labour market, but the conclusions differ widely. When Goldring and Landolt (2012) found that a contribution of immigrants temporarily increases the unemployment of the natives. Blau and Kahn (2012) conclude that it reduces it in the short term. The authors find that a 10% increase in the share of immigrants in an employment category degrades by about 3% the employment rate of natives with similar individual characteristics.

Concerning the GDP, Peri (2012) show, using a VAR model (Autoregressive Vector), that immigration has a positive effect, when Peri (2012) concludes the reverse. Finally, the OECD estimates the cost of immigration at about 10 billion euros a year and Manacorda, Manning, and Wadsworth, (2012) considers the positive impact. However, this latter study uses a methodology similar to "cavalry", which consists of recording only the current contributions of immigrants by omitting the future claims to which they give entitlement (pensions, etc.). By integrating the whole life cycle of an immigrant, it costs around 8,700 Euros according to Ottaviano and Peri, (2012) (especially because immigrants are older). More generally, the OECD estimates that the net contribution to the social and tax system of a household immigrated between 25 years of age

(the head of the family) and the end of one's life is 80,000 Euros lower than that of a native household.

All these studies, however, do not address the issue of second-generation immigration, which is the contribution of immigrant children. However, Bond, Iwasa, and Nishimura, (2013) (2010) shows that the children of immigrants from developing countries have a lower employment rate than their parents, in contrast to the second generation of countries in Southern Europe, for example. In order to estimate the impact of immigration on GDP growth, VECM (vector error correction model) is used, often used in econometrics, to simulate the impact of an immigration shock on GDP Per capita and the unemployment rate for example. Using the OECD data (for the migration rate), and INSEE (for GDP per capita and unemployment rate) over the period 1984-2013, it is found that the permanent increase of 1 % Of the legal entry rate of foreigners leads to a decrease of 0.17% in per capita GDP after 5 years (about 10 Euros per year), and a 0.3% increase in the unemployment rate.

Yet, with a similar methodology, but over a more limited period, Iwasa and Nishimura, (2014) found a positive impact of immigration on GDP (5 Euros per year for the increase of the 1% migration rate). This confirms the thesis that the current statistical and economic tools do not always lead to the conclusion of a beneficial economic effect of immigration, but also that immigration with a large, homogeneous and monolithic one does not exist. The economic effects depend on the skill level of the immigrants, the labour market situation of the host country and many other parameters

A recent publication by the Organization for Economic Co-operation and Development (OECD) attempts to answer the question of whether migration has a positive impact on the economies of host countries. Migration takes many forms internationally. Populations in host

countries rely on organized immigration to address gaps in their labour markets and meet a number of demographic needs to offset low fertility rates, aging of the population, a growing dependency on the elderly, a decline in the labour force and high emigration rates. Furthermore, migration within the European Union includes free mobility between Member States (Iwasa and Nishimura, 2014).

2.5 Immigration and Unemployment

To study the impact of immigration on local employment opportunities, the majority of empirical work is based on the spatial correlation methodology applied to labour force panel data. The spatial correlations approach, implies a decomposition of the labour market of the host country into geographical zones representing closed employment basins (cities, federated states, etc.), that is to say, spared by any significant interregional migratory movement. This method aims to reveal correlations between the performance of a local labour market and the state of immigration that it knows (Manacorda, Manning, and Wadsworth, 2012). A real situation (a labour pool experiencing immigration flows) is thus compared with a fictitious situation (without immigration) constructed for this purpose. Since this hypothetical situation does not exist, the comparison is based on an econometric regression of the labour market performance indicators of a given geographical area (employment and wages of indigenous peoples) on the relative amount of migrants in this region. This regression is carried out in a relationship that simply models the impact of a migratory shock on the local labour market (Yakita, 2012).

Studies that follow the spatial correlation approach agree on the modest impact of immigration on Aboriginal wages and employment. According to Ottaviano and Peri (2012), a 10% increase in the share of immigrants in the labour force reduces Aboriginal wages by less

than one percentage point. This result is robust empirically, although for Bond, Iwasa, and Nishimura, 2013), this wage cut can reach up to 3%. Iwasa and Nishimura, 2014) adds an estimate of the same order on the employment rate of native, given qualifications. Iwasa and Nishimura, 2014) are nevertheless suspicious of the volatility of the impact, which they consider too important, especially over time. According to them, the fact that the eigenvalue attributed to immigration may vary greatly depending on the region studied or the time of the measures cast doubt on the robustness of the results obtained by the spatial correlation approach. They therefore criticized this argument (Borjas, 2013).

First, cross-sectional zonal studies are unable to control fluctuations in relative labour demand from one area to another. However, it is essential to measure the local demand shocks correctly if one wishes to compare the migration impact in one region of intensive immigration with another where immigration is less important (Yakita, 2012). Collecting data during a period of strong expansion in the host region may lead to an underestimation of the negative impact of immigration on native employment opportunities or an overestimation if not (Hainmueller, Hiscox, and Margalit, 2015).

Second, the method of spatial correlations assumes that the distribution of immigrants in the regions of the host country is exogenous, that is, it is determined independently of the economic performance of the regions in question. However, for Borjas, 2013), migrants decide their place of residence according to their prospects for employment and social benefits. Regions with the best economic health before immigration takes place also offer the best prospects for migrants. These are therefore the most attractive. A bias is created if the hypothesis of exogeneity is overturned: cross-sectional studies may give migrants an improvement in the

economic situation, or remain blind to their depreciating effect, whereas it is precisely economic dynamism that attracts and masks this effect (Borjas, 2014).

In order to remove the suspicion of endogeneity of immigration in relation to the economic situation, Card proposes to use the previous flows of immigration as an instrumental variable determining the location of migrants irrespective of the conditions on the labour market in question. The underlying intuition is that migrants are accustomed to establishing themselves not in the most economically efficient region but in places where migrants of the same origin have already settled and where a host community favours their integration. According to Blau and Kahn, (2012), the absence of significant modification of the results after instrumentation invalidates the criticism: the dilution in space does not explain the weakness of the impact (Goldring and Landolt, 2012).

The last critique of Borjas, Freeman and Katz (1996 cited in Peri, 2012) deals with the consideration of international migratory flows alone. The internal flows between the regions studied are entirely neglected. If labour markets in different regions of the host country are not closed to one another, then the migrant workforce is not the only one that can be mobile. The natives can change their residence in turn to leave a saturated market, or refrain from settling in a region that is experiencing a strong international immigration. For Borjas, this is a serious empirical problem. However, Manacorda, Manning, and Wadsworth, (2012) show that it is not important. Bond, Iwasa, and Nishimura, (2013) confirm this. Iwasa and Nishimura, (2014) for the United Kingdom also find concordant results with Card. This criticism can therefore be rejected and estimates of the low impact of immigration on native job opportunities can be accepted.

2.6 Economic Model and Theoretical Framework

There are a variety of causes that lead to increase or decrease in the immigrants and immigration rate in an economy, however, this study is focused on impacts and therefore this discussion is also focused on impacts of immigration on economic development. It is important to study the consequences of migration from a purely theoretical perspective in order to understand the most important effects of migration on the economy of host countries (Peri, 2012). This theoretical approach is complemented by the empirical analysis by particularly focusing on case study of the UK in the next chapters (Boubtane, Dumont, and Rault, 2015).

2.6.1 The Heckscher - Ohlin model

According to this model the international trade occurs on the fact that there are differences in the resources of the countries. This is considered to be the classic and most influential economic theories of international economics. It was developed by two economists in Sweden namely Eli Heckscher and Bertil Ohlin, it has become the clearest exponent of the orthodox explanation of the ultimate cause of international trade since the 1930s. Following the hypotheses starting from Heckscher-Ohlin theory, goods differ in their requirements of productive factors and countries are characterized by different factor endowments (Manacorda, Manning, and Wadsworth, 2012).

The basic teaching of this model is that in a world in which it is assumed that the technological factor of production is exactly same between countries, trade will be determined by factoring, or what is the same, the cause of the existence of international trade is the difference in price ratios between countries. Thus, country gains comparative advantage in those goods that use intensively the factors that it has abundantly available (the comparative advantage is given

by differences in factor endowments). In this way, price equalization of factors will occur if the factor endowment of the countries do not differ too much (Bond, Iwasa, and Nishimura, 2012).

The model developed by Heckscher-Ohlin mainly has four theorems which are summarized below:

Heckscher-Ohlin Theorem: an economy gains comparative advantage over another in case of those products in which there is abundance of a factor of production and the economy uses this factor intensively (Bond, Iwasa, and Nishimura, 2013).

Factor price equalization theorem: Free trade is equal to real incomes (factor rewards) between two trading countries and it is a proxy for mobility of external factor. From a practical point of view, the theorem states that even in the absence of labour migration between countries, free trade in goods leads to a state of international equilibrium (Iwasa and Nishimura, 2014).

Stolper-Samuelson's Theorem: there is increase in the relative price of a good, with respect to both goods, based on the intensive use of abundant factors in the production of the good and there is a decrease with respect to both goods if there is a real retribution of other factors of production (Yakita, 2012).

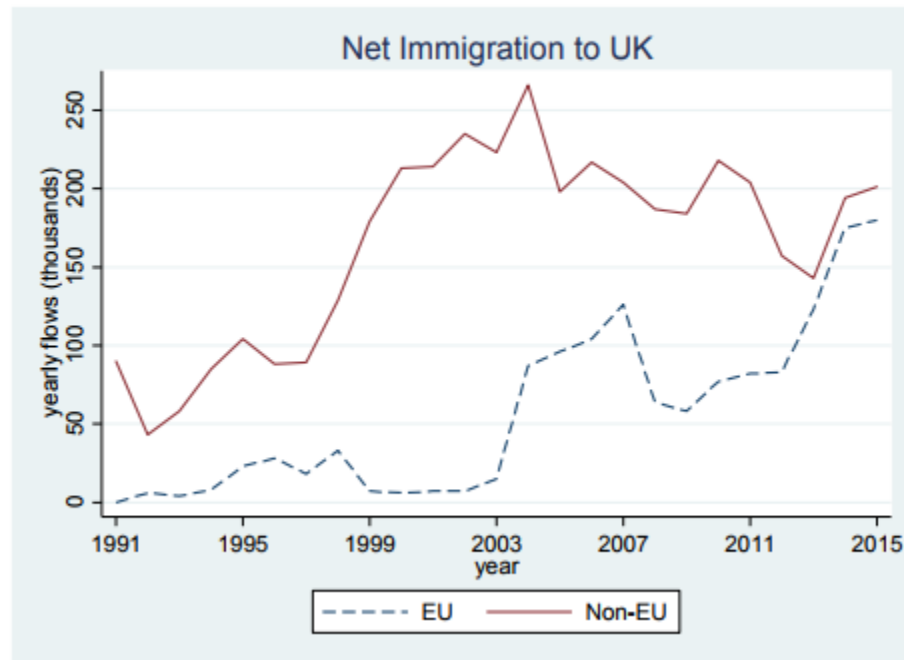
Rybczynski's Theorem: if production coefficients are available and quantities of factors are fully utilised, there is an increase in the endowment of a production factor and the output of that good that uses the factor that has been intensively increased and the Production of the other good (Bond, Iwasa, and Nishimura, 2012).

2.7. EU Immigration within the UK

In the light of Coale and Hoover (2015), the net immigration is regarded as the difference between the number of the people who are entering in the UK and the number of people who are

leaving the country. In addition, the countries immigrants are significantly increasing for the European Union and the non-EU immigrants. Furthermore, the East Europe has joined the European Union in the year 2004, where the immigration has increased significantly which again fell back after the period of recession occurred in the year 2007 (Richards et al., 2013). Moreover, the net inflows have significantly increased since the economy has regained.

Figure 1: Net immigration to the UK, 1991-2015



In the year 2015, there were a total of 3.3 million of the EU immigrants who are living in the UK which significantly increased from the year 1995. Moreover, around 2.5 million of the migrants are aged between the 16 and 64 years and the two million are at the work. Around 70% of the immigrants in the European Union were of the opinion that they come to the UK because they were finding employment opportunities in the country or for the purpose of the study (Wadsworth et al., 2016, p. 34). However, the immigration processes has increased the total number of the people within the work who are looking for the opportunities related to

employment which means that the UK workers must be harmed which increased the competition for jobs.

2.8. Factors Associated with the Economic Development in the UK

2.8.1. Remittances

In the light of Bloom, Canning and Fink (2010), there are the developing countries, where the remittances are considered as the important sources for the capital inflow and the outflow as it have significantly increased in the recent years. For a number of emerging and underdeveloped countries, remittances are considered as the major source for the external financing. In the light of Dhingra et al., (2016), the World Bank has estimated that approximately USD 543 billion remittances are transferred in the world by the end of 2012, where some of the amount estimated at 406 billion has been transferred to the developing countries. On the macroeconomic level, the remittances are the major contributor towards the balancing payment, balance deficits, and the foreign currency shortage which further reduces the barrier for the economic development. This implies that the money can be used for meeting the pressing needs of the country.

2.8.2. Private Sector Investment

The other major factor for the economic development is the private sector investment as the migration can promote the private sector investments within the country of origin in different directions. According to Brown and Wardwell (2013), there is possibility that the labour migrants will utilise their savings for engaging it into the business activities when they move to the abroad countries. In addition, the impact can be emphasised on the business start-ups by the returnees which can influence the employment situation in the country as it should be

overestimated and does usually the small family businesses does not offer a number of job opportunities for the outsiders. Therefore, there are likely chances that the immigrants would invest in the private projects which can contribute towards the betterment of the economy.

2.8.3. Promoting Trade

In the light of De Haas (2010), the international migration can lead to increase in the trade flows between the origin country and the host country. Since the immigrants have the knowledge regarding trading possibilities within the international countries along with the market potentials and the distribution channels within the international and host country. In addition, they have the information regarding the language skills and the contacts that give migrants, the sustainable competitive advantage as they work with the traders. However, there are some economic trade barriers which can create obstacles in the trading or the exporting activities of the products from the perspective of quality control and product standards in the country of origin.

2.8.4. Vocational Training and Transfer of Knowledge

According to Brown and Wardwell (2013), the migration of the labourers along with the vocational training, there are two important perspectives which should be kept into consideration that is explained as the decline in the population and the deficiency of the skilled workers within the industrialised countries. In the future, the industrialised countries will be suffering from the decline in the working population. In the present situation, there is an apparent shortage of the skilled workers within the sectors. Within the contest of improvement in the labour market, the training plays a significant role as it facilitates the human resources for the employment market. In addition to the above statement, the economic development can be benefitted by the equal

access to the vocational training and marginalised population groups which should be promoted in particular.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

Chapter three of the research project is intended to discuss the specific systematic details with reference to the research study that assumed to be conducted. The chapter includes components such as, the research method that is used to gather the information and data and to analyse the outcomes on the basis of the information's statistics that has been collected. The research methodology is a significant component of any research project that could be used in order to collect the knowledge and information according to the data collection methods and techniques. Furthermore, this chapter includes the research design, research philosophy, and researches approaches being used in this research project. Moreover, research limitations and ethical considerations are also being observed by the researcher while performing the whole research project.

3.2 Research Philosophy

Mertens (2010) demonstrated the researcher philosophy as the way in which data and information are collected, applied, and evaluated on the basis of the area and subject of the research. It is usually referred as research paradigm. Among several research paradigms, most commonly research paradigms include interpretivism, positivism, realism, and constructivism. Quantitative research design is usually associated with the positivism or positivist paradigm. It generally involves accumulating and converting the collected into statistical form so as to numerical calculation could be generated and conclusion could be drawn. Moreover, realism research philosophy works on the fact that what you observe and what you perceived (Robson, &

McCartan, 2016). It stems from the participants' experiences that they their personal view and feelings and provides description of the real world on the basis of their perceptions. On the other hand, qualitative research design works on the principles of constructivism research philosophy that highlights the socially generated nature of reality. Since this research is applying the quantitative research design, thus the researcher aimed to employ positivist research philosophy in this research, due to the fact that research intended to acquire the quantitative data and evaluate the research findings statistically. From the application of the positivism research philosophy, the researcher was able to carry out the analysis on the impact of the immigration with its relation with the economic development. In addition, the application of the philosophy has led the researcher in viewing the perspective that how the GDP and unemployment is related with the economic development of the UK.

3.3 Research Approach

While conducting any research, the researcher can employ two types of research approaches such as inductive and deductive research approaches. The deductive research approach test past and existing data and employs quantitative research design in order to achieve the aim and objectives of the research study (Sekaran and Bougie, 2016). Moreover, the deductive approach in the research is concerned with the movement of information from the generalised terminologies with the specific results with the enhancement of the scope in the area of the research study along with the phenomenon of the common interest. However, a large number of authors have argued with the researchers regarding the positivist philosophy as it have varied procedurs and the speculation with the purpose of achieving objectives and goals of the research. In addition to the above statement, the deductive approach can be explained in the

context of hypothesis and can be explained as the information which is derived from the existing theories and literature. On the other hand, inductive research approach mainly focused on the construction of new theory that can be evolved from the collected data instead of testing the present one.

Being quantitative research design, the researcher aimed to use in this research study. The selection of the deductive approach can ensure that the premises opted by the researcher will be supporting the conclusion of the study and has further given the strong and valid perspectives. However, the deductive approach is intended towards the provision of strong evidences and the support of the arguments from the conclusion which also helps in the formulation of the theory.

3.4 Research Design

As per stated by Creswell (2013), research design could be found in three types including qualitative, quantitative, and mix methods. In the light of Bendat and Piersol (2011), the qualitative research design deals with the social constructs and the founding the believe that there is a significant assertion of the social constructs and the reality does exists. In addition, in the qualitative research, the researchers widely use interviews for carrying out the research so that they can get insight by the interview respondents on the research area as they provide their insights on how the social constructs of the study. Quantitative research design is one of the significant research designs in which the information that has been retrieved and gathered is statistically analysed and quantified in order to disapprove and approve the projected hypothesis. After analysing the collected data statistically, a comprehensive outcome is achieved, and the results could be legitimately demonstrated and documented. Quantitative research design involves surveys, polls, and questionnaires. In this research project, the researcher has decided to

use quantitative research design for this specific research in order to gather information that is being acquired by using different sources of information in order to analyse the impact of immigration on economic development of the UK.

3.4 Research Strategy

Being a quantitative research design, the researcher used secondary data sources in order to track statistics and GDP growth of the UK. Quantitative research strategies are determined by two concerns; one is that they are focused on the nature of association among two variables, and the second one is that the how an individual perceived the reality of the world.

3.5 Sample Size

The sample size selected for the study is the data of 1980 till 2015 regarding unemployment, GDP growth rate, and immigrants of the UK.

3.6 Data Collection Method

In order to achieve the research aim and objectives, the relevant and significant data is required to be gathered. Significant data can be collected by means of two types of data collection methods such as, primary data and secondary data. In primary data collection, the information and data could be gathered by using surveys, interviews, and focus groups. On the other hand, in secondary data collection, information can be collected through different secondary sources such as journals, books, magazines, articles, and websites (Kumar et al., 2010). In this particular research, the researcher has applied secondary data collection methods in order to acquire data relevant to the statistics of immigrants in the UK and GDP growth rate.

3.7 Hypothesis and variables

The testing of Hypothesis could be done by using two types of variables including dependent and independent variables (Bollen, 2014). The independent variables have an influence on the dependent variable and it can be transformed. Alternatively, the dependent variables are uncontrollable and cannot be changed by the researcher. The hypotheses of this research project are:

H_1 = Immigration has significant impact on economic development of the UK

H_0 = Immigration has no significant impact on economic development of the UK

Furthermore, one key control variable in the following research study is the unemployment rate as it is relevant to the both, the independent and dependent variable.

3.8 Data Analysis Technique

It is the analysis process that can be used to estimate data through surveys and tests (Bendat & Piersol, 2011). This process employs some different tools in order to prove or disapprove the projected hypotheses. In quantitative research design, data can be analysed by using the software termed as Eviews. Correlation is a test that can be used to examine if there is an association among the dependent and independent variable. On the other hand, regression analysis has also been implemented to analyse the influence of independent variables on the dependent variable involved in the research.

3.9 Ethical Consideration

While conducting any type of research, the researcher should keep in mind certain ethical considerations (Macfarlane, 2010). There are numerous rules and regulations that are to be trailed by the researcher in order to make the study successful and unbiased. The privacy of the collected data has to remain confidential and must not be revealed at any point. The researcher cannot employ the collected data and information for any other purpose or researches.

3.10 Research Limitations

While conducting the research, there are some challenges and limitations that researcher may face during the entire course of the research. Some of them are as follow:

- The study is restricted to a certain region which makes it challenging to retrieve useful data and also restricted the scope of the research
- The research could be more widespread if the method of data collection was mixed, rather than only quantitative.

CHAPTER FOUR: ANALYSIS AND RESULTS

4.1. Introduction

The present chapter is designed for the presentation of analysis and results which have been tested in this research. Furthermore, the chapter has incorporated a brief discussion on the test conducted in the favour of this study which includes Augmented Dickey Fuller test, Autocorrelation and Least Square Estimates. However, for this research, the researcher has collected secondary data in order to acquire data relevancy for the statistics of immigrants in the UK and GDP growth rate. After the interpretation of the results, the chapter also incorporated a detailed discussion on the objectives of the study.

4.2. Data Analysis

4.2.1. Augmented Dickey Fuller (ADF)

The ADF test is applied to test whether there is unit root in the data set or not and to check whether the data is stationary. Moreover, the ADF test also interprets the null hypothesis which Demand follows the unit root process. The stationary test enables the researcher to verify whether the series is stationary or not. Furthermore, the data in this research has been generated by utilising the data on the GDP growth rates of the UK. The table below explains the ADF test for the research.

Null Hypothesis: GDP_GROWTH has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic - based on SIC, maxlag=1)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.747789	0.0075
Test critical values:		
1% level	-3.632900	
5% level	-2.948404	
10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(GDP_GROWTH)
 Method: Least Squares
 Date: 08/10/17 Time: 12:59
 Sample (adjusted): 1981 2015
 Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP_GROWTH(-1)	-0.521646	0.139188	-3.747789	0.0007
C	1.240816	0.410970	3.019237	0.0049
R-squared	0.298558	Mean dependent var		0.124657
Adjusted R-squared	0.277302	S.D. dependent var		1.970812
S.E. of regression	1.675420	Akaike info criterion		3.925449
Sum squared resid	92.63201	Schwarz criterion		4.014327
Log likelihood	-66.69537	Hannan-Quinn criter.		3.956130
F-statistic	14.04592	Durbin-Watson stat		1.800894
Prob(F-statistic)	0.000684			

From the table presented above, it can be interpreted that the ADF test showed that there is no unit root in the data set and data for GDP growth is stationary. This is because the null hypothesis indicates that GDP growth rate has a unit root and the probability value being less than 0.05 indicating that null hypothesis is rejected and data is stationary. The null hypothesis for this test stated that data contains a unit root which means that data is not stationary. The significance value, in this case, was 0.007 which is lower than 0.05 representing that null hypothesis of study has been accepted and also that the data set within the table contains a unit root which is the reason that the null hypothesis is rejected.

From the table above, it can also be interpreted that the R-square is estimated at 0.29, whereas, the adjusted R-squared is estimated at 0.27 representing a weak correlation in the variable of the study. In addition, the value of Durbin Watson is estimated at 1.80 which reflects that there is no autocorrelation in the sample taken for the test as the test reflects the autocorrelation in the residuals forms the ADF test analysis.

Null Hypothesis: NET_MIGRATION has a unit root
 Exogenous: Constant
 Lag Length: 0 (Automatic- based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-0.760814	0.8177
Test critical values:		
1% level	-3.632900	
5% level	-2.948404	
10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
 Dependent Variable: D(NET_MIGRATION)
 Method: Least Squares
 Date: 08/10/17 Time: 13:01
 Sample (adjusted): 1981 2015
 Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NET_MIGRATION(-1)	-0.047189	0.062025	-0.760814	0.4522
C	16477.42	9863.043	1.670622	0.1043
R-squared	0.017238	Mean dependent var		11085.71
Adjusted R-squared	-0.012542	S.D. dependent var		40331.25
S.E. of regression	40583.39	Akaike info criterion		24.11555
Sum squared resid	5.44E+10	Schwarz criterion		24.20443
Log likelihood	-420.0221	Hannan-Quinn criter.		24.14623
F-statistic	0.578838	Durbin-Watson stat		1.803236
Prob(F-statistic)	0.452171			

The second test is for net migration where the null hypothesis is that net migration has a unit root. In this case, the null hypothesis is accepted because the probability value is greater than 0.05 at 0.81 and thus, the data is not stationary and contains a unit root. Since the value of the

probability is estimated at 0.81, therefore, there is no sign of the null hypothesis which is the reason it is rejected in this study. Furthermore, the results also highlight that the Net Migration in the test has a unit root. In the results, the p-value is greater than the significance level, where $\alpha = 0.05$, therefore, the null hypothesis should be accepted while rejecting the null hypothesis.

Null Hypothesis: UNEMPLOYMENT_RATE has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic - based on SIC, maxlag=9)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.422887	0.1432
Test critical values:		
1% level	-3.639407	
5% level	-2.951125	
10% level	-2.614300	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(UNEMPLOYMENT_RATE)
Method: Least Squares
Date: 08/10/17 Time: 13:02
Sample (adjusted): 1982 2015
Included observations: 34 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNEMPLOYMENT_RATE(-1)	-0.123593	0.051011	-2.422887	0.0214
D(UNEMPLOYMENT_RATE(-1))	0.608290	0.119629	5.084818	0.0000
C	0.857231	0.414832	2.066451	0.0472
R-squared	0.470299	Mean dependent var		-0.127941
Adjusted R-squared	0.436124	S.D. dependent var		0.839795
S.E. of regression	0.630616	Akaike info criterion		1.999859
Sum squared resid	12.32798	Schwarz criterion		2.134538
Log likelihood	-30.99760	Hannan-Quinn criter.		2.045788
F-statistic	13.76176	Durbin-Watson stat		1.813854
Prob(F-statistic)	0.000053			

For the unemployment rate, the ADF test was conducted to test the unit root. The results showed that data is not stationary and contains a unit root because the null hypothesis is accepted with p-value being greater than 0.05 acceptable values at 0.14. Similar to the previous results, the

Durbin Watson for this research is estimated at 1.81 which depicts that there is no autocorrelation in the unemployment data.

4.2.2. Autocorrelation

The autocorrelation test is to test the seasonality and presence of serial correlation in the data set. This has been applied to all three variables of GDP growth rate, net migration and unemployment rate. The autocorrelation test helps in observing the time lags between the observations and the variables of the study. The rest is interpreted as follows.

Date: 08/10/17 Time: 12:57
Sample: 1980 2015
Included observations: 36

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
. *****	. *****	1	0.857	0.857	28.719	0.000
. *****	. * .	2	0.696	-0.147	48.193	0.000
. *****	. ** .	3	0.626	0.261	64.415	0.000
. ****	. * .	4	0.611	0.122	80.394	0.000
. ****	. .	5	0.580	-0.011	95.253	0.000
. ****	. .	6	0.513	-0.050	107.27	0.000
. ***	. .	7	0.441	-0.032	116.45	0.000
. ***	. * .	8	0.374	-0.077	123.28	0.000
. **	. * .	9	0.297	-0.119	127.75	0.000
. **	. .	10	0.233	-0.010	130.60	0.000
. * .	. ** .	11	0.138	-0.226	131.64	0.000
. .	. * .	12	0.034	-0.100	131.71	0.000
. .	. * .	13	-0.049	-0.067	131.85	0.000
. * .	. * .	14	-0.110	-0.070	132.61	0.000
. * .	. * .	15	-0.137	0.090	133.82	0.000
. * .	. * .	16	-0.192	-0.131	136.35	0.000

The results show that there is no serial autocorrelation and data for net migration is not seasonal with a p-value at all levels of lags being 0.000 less than 0.05 indicating no serial correlation.

Date: 08/10/17 Time: 12:58
 Sample: 1980 2015
 Included observations: 36

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
. [*****]	. [*****]	1	0.891	0.891	31.047	0.000
. [*****]	***].	2	0.709	-0.413	51.300	0.000
. [****]	. .	3	0.528	0.013	62.845	0.000
. [***]	. .	4	0.373	-0.007	68.803	0.000
. [**]	. *	5	0.268	0.086	71.974	0.000
. [*]	. .	6	0.210	0.040	73.977	0.000
. [*]	. *	7	0.196	0.100	75.795	0.000
. [*]	. *	8	0.180	-0.145	77.384	0.000
. [*]	. .	9	0.162	0.066	78.721	0.000
. [*]	. *	10	0.122	-0.141	79.500	0.000
. .	**].	11	0.027	-0.226	79.540	0.000
. *].	. .	12	-0.076	0.048	79.869	0.000
. *].	. .	13	-0.160	-0.005	81.384	0.000
. **].	. .	14	-0.217	-0.061	84.299	0.000
. **].	. *	15	-0.256	-0.074	88.585	0.000
. **].	. *	16	-0.283	-0.073	94.060	0.000

The data for unemployment rate shows that there is no serial correlation because of probability value being 0.000 less than 0.05 and thus, it can be concluded that data is not a season which is also denoted by an asterisk (*) in the output because of no significant fluctuations.

Date: 08/10/17 Time: 12:58
 Sample: 1980 2015
 Included observations: 36

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
. [*****]	. [*****]	1	0.891	0.891	31.047	0.000
. [*****]	***].	2	0.709	-0.413	51.300	0.000
. [****]	. .	3	0.528	0.013	62.845	0.000
. [***]	. .	4	0.373	-0.007	68.803	0.000
. [**]	. *	5	0.268	0.086	71.974	0.000
. [*]	. .	6	0.210	0.040	73.977	0.000
. [*]	. *	7	0.196	0.100	75.795	0.000
. [*]	. *	8	0.180	-0.145	77.384	0.000
. [*]	. .	9	0.162	0.066	78.721	0.000
. [*]	. *	10	0.122	-0.141	79.500	0.000
. .	**].	11	0.027	-0.226	79.540	0.000
. *].	. .	12	-0.076	0.048	79.869	0.000
. *].	. .	13	-0.160	-0.005	81.384	0.000
. **].	. .	14	-0.217	-0.061	84.299	0.000
. **].	. *	15	-0.256	-0.074	88.585	0.000
. **].	. *	16	-0.283	-0.073	94.060	0.000

The third test for autocorrelation is for GDP growth rate and it is concluded that there is no seasonality in data and no serial correlation exists because of p-value being 0.000 less than 0.05.

4.2.3. Least Square Estimate

Dependent Variable: GDP_GROWTH
 Method: Least Squares
 Date: 08/10/17 Time: 13:10
 Sample: 1980 2015
 Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.386309	2.224199	0.623284	0.5374
NET_MIGRATION	1.04E-06	4.35E-06	0.238883	0.8127
UNEMPLOYMENT_RATE	0.081312	0.231247	0.351624	0.7274
R-squared	0.003743	Mean dependent var		2.141194
Adjusted R-squared	-0.056636	S.D. dependent var		2.034665
S.E. of regression	2.091489	Akaike info criterion		4.393285
Sum squared resid	144.3528	Schwarz criterion		4.525245
Log likelihood	-76.07914	Hannan-Quinn criter.		4.439343
F-statistic	0.061992	Durbin-Watson stat		0.915199
Prob(F-statistic)	0.940000			

The third test conducted is a least square estimate to determine the impact of net migration and unemployment on GDP growth rate. The least square method helps in estimating the parameter values within the research as it minimises the sum of the squares of the deviations of the theoretical points and the residuals are presented in the table. The test indicated that unemployment and net migration insignificantly impact the GDP growth rate because of p-value is greater than 0.05. The independent variables do not cause variability in dependent variable due to the probability of f-stats being higher than 0.05.

4.3. Discussion

Objective 1: To study the concepts of Immigration and Economic Development from a theoretical perspective.

The first objective of the research is aimed towards understanding the concepts of the economic development and immigration from the theoretical perspective. As the objective was in nature of theory, therefore, the researcher reviewed several articles and concepts as presented by the previous researchers by assessing different articles and journals. According to the research conducted by Peri (2012), the debate related to the migration policy has been severely discussed both in the political class and in public opinion. However, the previous researchers have carried out different economic studies for aiding their arguments regarding the concept of immigration and its impact on the economic development. In the light of Borjas (2013), it is crucial for the country if they are increasing their number of immigrants because employment opportunities have to be provided to the expatriates equally alongside the national residents of the country. However, the concept of immigration and the economic development moves hand in hand in the previous literature and also had been widely discussed by the authors and practitioners.

Objective 2: To identify key factors that lead towards the economic development of a country.

The objective stated above is directed towards the identification of the key factors which lead towards the economic development of the country. Since this objective is also theoretical in nature, therefore, the researcher successfully completed the objective by reviewing past theories and concepts that have been given in the light of different authors and practitioners. According to the research carried out by Ottaviano and Peri (2012), there is a 10% increase in the share of

immigrants in the labour force that mainly reduces Aboriginal wages which are less than one percentage point. In the light of Dustmann, Frattini and Preston (2012), the migration does not only imply the movement of the cultures and the successful assimilation for the destination country required the migrants to the interaction with the society and adapts to the culture present in the country.

In addition to the above statement, there is a significant importance of the integration of the immigrants and hence supports the formation and creation of the new multicultural identity. It was further stated by Bond, Iwasa and Nishimura (2013), that there could be strong competition for the jobs which can result in the loss of income for indigenous workers in the country of destination, especially if newly arrived workers are comparatively more expert than those in the host country. Therefore, the effective provision of the employment opportunities, decrease in the income and consumption patterns of the consumers in the country can lead to the economic development of the country.

Objective 3: To assess the impact of immigration on the economic development (GDP Growth Rate) of UK.

The third objective of the research was directed towards the assessment of the impact of immigration on the economic development of the UK. The objective was successfully achieved by the researcher by testing the impact of the immigration on the economic development within the context of the GDP growth rate of the UK. It was identified that populations within the host countries mainly relies on organized immigration in order to address gaps in their labour markets and hence meet a number of demographic needs for the purpose of offsetting low fertility rates, aging of the population, a growing dependency on the elderly, a decline in the labour force and high emigration rates. However, the test results depicted that there is no unit

root in the data set and data for GDP growth is stationary. Therefore, in this case, the probability value of the results was estimated at 0.007 which is lower than 0.05 representing that null hypothesis of study has been accepted.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

The present chapter is aimed towards discussing the conclusion and recommendations in which the researcher has drawn the necessary conclusion of research findings and results based on the analysis of immigration impact on GDP growth, along with providing effective recommendations to the future researchers and policymakers of the country. Moreover, the chapter has incorporated a brief set of summarised findings which are directed towards the assessment of the impact of immigration on the economic development of the country within the case of the UK. In addition, some future implications are also discussed in this chapter which explains how the future researcher can get benefitted by the research and the findings.

5.2. Summarised Findings

In this research, the main aim of the research was focused towards the analysis and assessing the significance of the impact of immigration on the economic development of UK. However, the objectives of the study were focused towards the study of the concepts of Immigration and Economic Development from a theoretical perspective, the identification of the key factors that lead towards the economic development of a country and the assessment of the impact of immigration on the economic development (GDP Growth Rate) of UK. Furthermore, in the research, the researcher has undertaken the quantitative research design in order to analyse the impact of the immigration on the economic development of the UK.

From the study analysis, it was identified that the immigration can lead to the development of the country from the economic perspective because the migration of the people has some of the implications for the economic, social and culture for the host societies and the

remittances where the migrants can send it to their home is perhaps regarded as the link between the economic development the immigrants in the country. In addition to the above statement, the remittances and the migration can either have direct or indirect influences on the welfare of the population with the sending countries.

According to the statement given by Goldring and Landolt (2012), after the credit crunch, the financial crisis within the countries have started to observe the fact that the potential sources of the capital maintenance in the country are the acquaintances of the remittances within the country. In such cases, the migrants are expected to be loyal than the average investors in the country which are essentially interested in the financing infrastructure with the health, education and housing projects. However, in the present study, the GDP growth rates are not associated with the immigrants' numbers in the UK and ultimately with the unemployment as the data which was collected for the study are not stationary. Therefore, no relation was identified between the dependent and independent variables of the study.

5.3. Policy Recommendations

There is a vast literature carried out in the discussion of the policy which nurtures the benefits and hence mitigates the negative impact of the immigration with a country setting. The migration within the UK should be incorporated in the development cooperation strategies along with the national poverty reduction strategies in different states of the UK. However, it is rare in practice, but there are some cases which report the successful strategies for the cooperative efforts between the receiving and sending countries for the effective management of migration. In addition to the above statement, there are certain areas of cooperation which includes the

drivers of the migration in the source countries networks which can move the people between different borders and further integrates the legal immigrants into the destination countries.

A large number of developing countries have a large number of immigrants in the country where few of them have explicit policies regarding the immigration or the capacities for managing the migration within the source country, and the networks which move the people across borders and the integration of the legal migrants into the destination countries. The government of the country should also explicitly take into account the impact of the composition and the future size of the UK population and further review the implications of the projection which the overall net immigration in the future will be around. In this essence, the government of the country should have an explicit target regarding the indicative target for the adjustment of the immigration policies in line with the objectives.

5.4. Future Implications

In this research, the researcher has undertaken the quantitative research design where the researcher can also incorporate qualitative research design in order to further authenticate the research. Moreover, the researcher can also take interviews with the policy makers of the country in order to assess the impact of immigration on the economic development of the UK. Lastly, the researcher can undertake a case study of two countries in order to compare the economic effects followed by the increasing number of immigration within the country.

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