

# Report on the value of immigrants to the UK – November 2014 Rev1

## Introduction

There have been many statements made about the net value of immigrants to the UK and most use figures without 'the counter factual'. For example figures have been quoted that inward migration has benefitted the UK to the tune of X billion pounds but without trying to quantify the cost of extra burden on the UK's diminishing resources. This report seeks to add detail that will provide a more balanced view of benefits versus cost.

## Preamble

ONS statistics on table B.5 below show how immigrant numbers steadily increased from 2001 to 2011: there is we believe a prorata increase continuing from then until now.

### STATISTICAL ANNEX

**Table B.5. Stock of foreign population by nationality**

Thousands  
UNITED KINGDOM

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Of which: Women 2011 (%)
Poland	34.0	24.0	34.0	48.0	110.0	209.0	406.0	498.0	549.0	550.0	658.0	51
Ireland	436.0	403.0	367.0	368.0	369.0	335.0	341.0	359.0	344.0	344.0	386.0	52
India	132.0	145.0	154.0	171.0	190.0	258.0	258.0	294.0	293.0	354.0	332.0	44
Pakistan	82.0	97.0	83.0	86.0	95.0	78.0	133.0	178.0	177.0	137.0	166.0	44
Italy	102.0	98.0	91.0	121.0	88.0	76.0	95.0	96.0	107.0	117.0	153.0	52
Germany	59.0	68.0	70.0	96.0	100.0	91.0	88.0	91.0	121.0	129.0	132.0	61
Lithuania	..	..	..	..	..	47.0	54.0	73.0	67.0	99.0	129.0	54
Portugal	58.0	85.0	88.0	83.0	85.0	81.0	87.0	95.0	96.0	104.0	123.0	54
France	82.0	92.0	102.0	95.0	100.0	110.0	122.0	123.0	148.0	116.0	114.0	53
Nigeria	45.0	42.0	33.0	43.0	62.0	61.0	89.0	81.0	106.0	106.0	114.0	51
China	24.0	..	..	..	..	73.0	89.0	109.0	76.0	107.0	106.0	52
Philippines	27.0	32.0	54.0	52.0	51.0	71.0	76.0	64.0	93.0	58.0	86.0	50
South Africa	68.0	64.0	95.0	92.0	100.0	105.0	90.0	94.0	113.0	102.0	81.0	46
Romania	..	..	..	..	..	12.0	19.0	32.0	52.0	72.0	79.0	47
Sri Lanka	50.0	52.0	35.0	32.0	52.0	47.0	46.0	36.0	43.0	57.0	69.0	46
Other countries	1 388.0	1 382.0	1 536.0	1 570.0	1 633.0	1 738.0	1 831.0	1 963.0	1 963.0	2 072.0	2 057.0	
<b>Total</b>	<b>2 587.0</b>	<b>2 584.0</b>	<b>2 742.0</b>	<b>2 857.0</b>	<b>3 035.0</b>	<b>3 392.0</b>	<b>3 824.0</b>	<b>4 186.0</b>	<b>4 348.0</b>	<b>4 524.0</b>	<b>4 785.0</b>	<b>51</b>

Note: For details on definitions and sources, please refer to the metadata at the end of the tables.

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## Immigration update

Net long-term migration to the UK was estimated to be 260,000 in the year ending June 2014, a statistically significant increase from 182,000 in the previous 12 months.

While net migration has increased since the most recent low of 154,000 in the year ending September 2012, it remains below the peak of 320,000 in the year ending June 2005.

583,000 people immigrated to the UK in the year ending June 2014, a statistically significant increase from 502,000 in the previous 12 months. There were statistically significant increases in immigration of EU (up 45,000) and non-EU (up 30,000) citizens. An estimated 323,000 people emigrated from the UK in the year ending June 2014. Long-term emigration has been relatively stable since 2010.

There was a statistically significant increase in immigration for work (up 45,000 to 247,000), driven by increases for non-EU citizens (up 14,000), EU2 citizens (up 11,000) and EU15 (up 10,000). Estimated employment of EU nationals (excluding British) resident in the UK was 16% higher in July to September 2014 compared to the same quarter in 2013.

National Insurance Number (NINo) registrations to adult overseas nationals increased by 12% to 668,000 in the year ending September 2014 from the previous year. Romanian citizens had the highest number of registrations (104,000), followed by Polish citizens (98,000).

32,000 Romanian and Bulgarian (EU2) citizens immigrated to the UK in the year ending June 2014, a statistically significant increase from 18,000 in the previous 12 months.

Immigration for study remained stable (176,000) in the year ending June 2014.

The statistically significant increase of 30,000 in immigration of non-EU citizens to 272,000 was in part driven by an increase in immigration to accompany/join others up 19,000 to 54,000. This follows a steady decline in non-EU immigration since the recent peak of 334,000 in the year ending September 2011.

Work and study visas grants continued to rise in the year ending September 2014, by 6% (+9,500) and 3% (+6,100) respectively. These trends reflected higher levels of both skilled work visas granted and university sponsored applications.

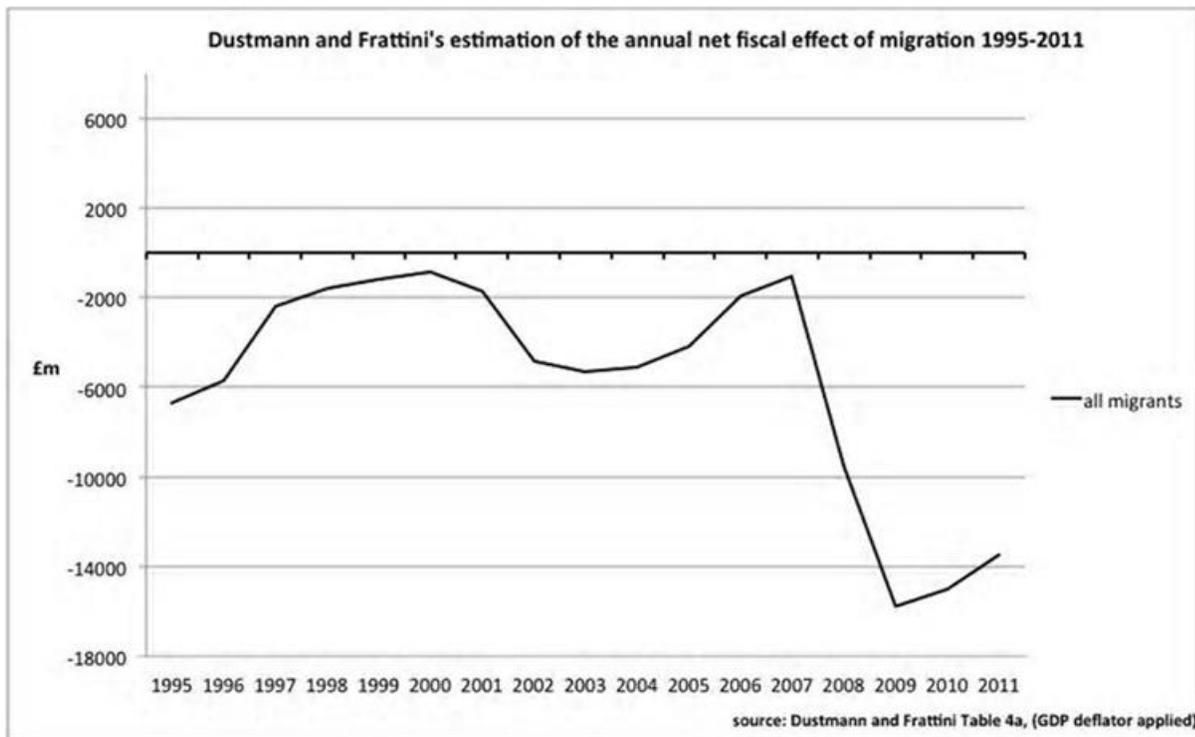
There were 24,300 asylum applications in the year ending September 2014, an increase of 2% compared with the previous 12 months (23,800), but low relative to the 2002 peak (84,100).

## Value studies

The results of research on the fiscal effect of immigration depend on the method used and on the assumptions underlying them. A discussion paper issued by the Centre for Research and Analysis of Migration (CReAM) at University College, London, by Dustmann and Frattini, adopted the average costs method for their reported results but also calculated an alternative scenario using the “marginal cost” method preferred by some. The academic, (Dustmann) who predicted that only **13,000 Eastern Europeans would arrive in Britain each year**, claimed that EU immigration has boosted public finances by £20billion. Ministers said the report co-written by Professor Christian Dustmann had taken a ‘very narrow focus’ which ignored the physical pressure migrants place on schools, hospitals and roads.

The authors themselves found **a fiscal cost to the UK** from migrants to the UK of £95 billion between 1995 and 2011. This result can be found only at the end of their paper; the figure is not mentioned in their text and the abstract of their paper makes no mention of any fiscal cost at all. Furthermore, their findings show a net cost every year as illustrated below in Fig. 1.

Fig.1



## Bias

It seems that there are conflicts in various reports that have been produced on this subject and it is by ‘peer’ review that these eventually come to light; in the case of the Dustman and Frattini report it was Migration Watch who uncovered and published the

findings referred to in Fig.1, which showed a constant negative impact from 1995 to 2011, but was not referred to clearly in the earlier textual content.

Rowthorn (2014) re-evaluated the estimates of Dustmann and Frattini (2013) for recent migrants. In particular, he argues for the need of a British worker displacement adjustment given the evidence that migration displaces British workers. After this and other adjustments he finds a negative impact of recent EEA migration of about GBP -0.3 billion and a negative impact of recent non-EEA migration of GBP -29.7 billion.

### **Evidence gaps and limitations**

Estimates of the fiscal effects of immigration depend on assumptions about how migrants use public services. Most studies simply estimate the share of the population represented by migrants and assume that they account for the same share of consumption of public services. Yet migrants have different characteristics from UK-born individuals and as such may use public services differently. For instance, migrants may use services such as translation services in schools and hospitals that are not typically used by the native-born population. One difficulty in addressing this point is that there is no systematic collection of the user's migration status at the point of delivery of many public services.

On the other hand, some migrants deliver public services as well as consuming them. It may be possible to deliver services in the public sector at a lower cost because of the availability of migrants willing to work at a lower wage. These pros and cons of migration for specific sectors are difficult to measure in practice because of the lack of data in most cases.

Any assessment of the fiscal effects of immigration critically depends on the treatment of migrants' children. If the definition of a migrant is an individual born outside the country, then the children of migrants born in the country should be part of the native-born group. However, it is possible to argue that these children would not have been in the country if their parents had not migrated in the first place and, therefore, children are part of the migrant group. This is complicated further by the existence of children of mixed couples (i.e. one UK-born and one foreign-born). It is not clear if these children should be included in one group or the other, or simply "split" between the two groups. The fiscal impacts of immigration also depend on the effects of migrants on the tax contributions and use of public services of the UK-born. One example is the labour market impact of immigration, especially whether and to what extent the employment of migrants creates more unemployment among domestic workers. Increasing unemployment among domestic workers leads to less tax revenues and increase consumption of welfare benefits. Most fiscal impact studies assume that the impact of migrants on domestic workers employment is negligible, yet empirical findings from the literature on the employment effects of immigration remain mixed (Migration Advisory Committee 2012, Rowthorn 2008). Another typical example about immigration increasing the fiscal burden of the UK-born population is the possibility that the presence of migrants increases housing prices (including rents) and displaces the UK-born population from the rental sector to the social housing sector.

On the other hand, the presence of migrants may also increase the tax contribution of the UK-born. For instance, the presence of low skilled migrant females working as nannies may allow domestic workers to increase their labour supply increasing also their tax contributions. These types of indirect effects has been mostly absent from the previous literature in the UK.

Then there are 'false' benefits: the idea that increasing immigration increases actual GDP is questionable or at least indefinable in that large numbers of immigrants leave family in their home country and repatriate a portion of their remuneration to them.

## **Hidden burdens**

### Prison

At 30 June 2013 there were 10,786 foreign nationals in prisons in England and Wales from 160 different countries. Nine of these countries accounted for one-half of the foreign nationals in prisons. Poland, Jamaica and the Irish Republic are the countries with the most nationals in prison establishments.

In 2011/12, the average daily population in Scottish prisons totalled 8,178, the highest average annual level ever recorded and an increase of 4% when compared with the previous year. Using the figure of 11,000 foreign prisoners, which is about 14% of our prison population (England, Wales and Scotland) and noting that interpreter costs in Scotland alone were about £50,000 per year for just 300 prisoners....pro rata for the rest of the UK and the costs are significant. When you add in the cost of keeping them secure, warm and fed – providing legal services for them and the cost of their actual crimes and trials then consider that we are short of prison places and need to spend money on new prisons as well as maintaining the old the cost is escalating and is seldom included in reports on the downside of immigration.

### NHS

The NHS is overburdened but is it due to immigration? Certainly there must be an effect, e.g. if extra staff is needed it is almost always obtained temporarily from the contract services sector incurring extra costs. This is a constant throughout social services provided to an increasing immigrant population.

### Children

Immigrants statistically have more children than the British indigenous, so when they become entitled to child benefit there is a direct on cost and an additional NHS and schooling services burden.

### Schooling

It is obvious that a multicultural school population comprising a level of immigrant children who do not speak English as their first language must cause educational slow down and delay together with a demand for foreign speaking teachers. All of these issues have a cost/services burden.

### British Jobs

The independent Migration Advisory Committee warned earlier this year, (2014) that cheap foreign labour has forced down the wages of some British workers. One study of pay in London had found the 20 per cent lowest paid had seen wages fall by 15 per cent on average. Driving down the wage of natives pushes up the overall welfare bill since they are likely to be paid more in tax credits and other handouts to compensate.

The effect on British school-leavers; the fact that immigrants have ‘endowed the UK labour market with human capital that would have cost about £49 billion if it were produced through the UK education system’. However, as David Green of the Civitas think-tank points out, the arrival of well-educated young migrants coincided with a slump in apprenticeships for UK teenagers – at great social cost. In 2012, the MAC estimated that, **for every four migrant workers who come to the country from outside the EU, one British job is lost**, again increasing the welfare bill.

### EU fines to be paid by the UK

There is additional risk of ‘burden’ in that the ECJ interprets that the UK has a responsibility to pay immigrants; Child Benefit, Child Tax Credit, State Pension Credit, Income-based Job-Seekers Allowance, and Income Based Employment and Support Allowance. The government is trumpeting that it will not pay some of these items or at least will delay some and if they stand firm they will be liable to rolling fines for non-compliance; this is however difficult to quantify at this stage.

### **Conclusion**

It appears that EU migrants to the UK may be of slight benefit fiscally (according to the OECD and others) but quantified burdens have not been fully explored.

However non EU/EEA immigrants are a definite fiscal burden and most reports agree this.

So if we do not qualify the origin of the immigrant and just say ‘immigrant’ then we must truthfully conclude that on balance immigration has and will be a fiscal burden to the UK.

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