



THE IMPACT OF IMMIGRATION ON ENGLAND'S HOUSING

Summary

1. Every few years the Government produces projections of the number of households in England which help to inform planning policies. The last projections were produced in 2000 based on 1996 population projection data. The projections indicated an increase in households of just over 3.8 million in the period 1996-2021.
2. The household projections, and the population projections on which they are based, are sensitive to a number of assumptions - one of which is net inward migration. The projections assume that net inward migration will be 65,000 each year. At this level migration will contribute about 700,000 households out of the 3.8 million increase projected from 1996-2021.
3. However, the rate of net inward migration from overseas to England in 2001 was over 172,000. If net migration continues at this level until 2021 we estimate that a further 1.1 million households, over and above the projected levels, will be generated making a total contribution of 1.8 million new households attributable to inward migration and bringing the overall requirement to 4.9 million new houses for England over the period 1996-2021.
4. The likelihood is that net inward migration will continue to increase over the next few years. The principal drivers of this increase will be the rise in the number of work permits being issued and migration from Eastern Europe arising from the accession of eight former communist countries to the EU in 2004. MigrationwatchUK has estimated that this will increase gross long-term migration by between 20% and 25% by 2004 in comparison with 2001. If net migration follows a similar trend, that is if it increases to, say, 210,000 by 2004 and then stays at that level up to 2021, there will be a further requirement for about 300,000 homes in the period 2004 to 2021 - which would bring the overall total required due to immigration to 2.1 million.
5. For the purposes of this paper we have taken the lower figure of 172,000 net migration from 2001 to 2021. We have made no allowance for illegal immigration.
6. Net new housing completions, after allowing for demolitions and conversions, are approximately 120,000 per annum - well short of

the 155,000 required to satisfy existing plans. Net migration of 172,000 per annum will push this requirement to above 200,000 new homes each year - needing a two-thirds increasing in building effort.

7. The government have published plans to build the 3.8 million houses in their projection but these plans have met with widespread opposition. When housing projections are broken down to a regional level the biggest increases in numbers of households required are in London, South East, South West and East England. In particular, the government's proposal to designate four development areas in the South East - Ashford, the Thames Gateway, the Stansted-Cambridge corridor and Milton Keynes has run into strong opposition. It is anticipated that 800,000 dwellings will be built in these areas by 2031. This just exceeds, but in a longer timescale, levels of new households projected to be formed from inward migration of 65,000 per annum. This development would be unnecessary if migration was balanced.

8. The Parliamentary Committee dealing with matters relating to the Office of the Deputy Prime Minister has estimated that the cost of infrastructure alone, i.e. not including the cost of any housing, for the four development areas will be in the region of £20 billion and they question the basic viability of the plans.

9. The shortage of housing in London and the South East is already creating very serious problems. Housing costs are at a level which is out of reach for many essential workers. The Government's response has been to recruit from overseas but this merely fuels demand for housing further, causing key workers to move from London and the South East and creating the need to recruit more key workers overseas - a vicious circle.

10. A policy of balanced migration (immigration and emigration roughly in balance) would ease the housing crisis, reduce the pressure on greenfield sites, save huge sums of money in infrastructure costs and reduce the deterioration in the quality of life in the South East.

Detail

11. The Government produces periodic projections of the number of households in England (separate projections are produced in Scotland, Wales and Northern Ireland by devolved government). The last projections were produced in 2000 based on the 1996-based population projections prepared in 1997 by the Government Actuary's Department. The projections are used to inform planning decisions - in particular they were a major input to the document "Sustainable Communities" published in February, 2003 which sets out "a programme of action to tackle pressing problems in our communities in England".

12. The household projections are trend based - they illustrate how many households would form from the projected future population if past trends in household formation were to continue into the future.

13. The projections show an increase in households in England of just over 3.8 million between 1996 and 2021. An estimated 57% of this growth occurs as a result of the increase in population - which,

in the 1996 based projections, was expected to rise from 49.089m in 1996 to 52.483m in 2021. The population aged 20 and over was projected to increase even more quickly from 36.740m to 40.767m over this timescale, reflecting the "ageing" of the population and the relatively low birth rate. It is this increase in the adult population which is, of course, the determinant of household formation.

14. The figures are sensitive to a number of assumptions made in the population projections - namely fertility rates, life expectancy and migration. Of these, fertility rates have an impact on the adult (20+) population only towards the end of the 1996-2021 period. The impact of low (1.6 children per woman) and high fertility rates (2.0 children per woman) is relatively small - an additional 100,000 adults for high fertility rates compared with the principal projection (1.8 children per woman). Increased life expectancy will have a larger impact on the population but a higher life expectancy (of plus 4.4 years for males and 3.7 years for females compared with the principal forecasts of 3.6 and 3.1 respectively) would only lead to there being 282,000 additional adults in 2021.

15. The main factor in population projections is migration. The principal assumption made in the population projections was for net inward migration per year from 1998-99 onwards to be 65,000 per annum. According to the government's own calculations, levels of net inward migration of + or - 40,000 per annum would increase or decrease the adult population by + or - 877,000^[i] by 2021.

16. The other sensitivities in the household projections are social factors particularly marriage, divorce and cohabitation rates.

17. So, of all the factors influencing household formation, there is only one over which Government has any significant control and which is going to affect the need for housing up to 2021 - that is net inward migration. The government's household projections indicate that at the principal projection level, of 65,000 for annual net inward migration, approximately 700,000 new households would be formed in the period 1996-2021^[ii].

18. At the time of the population projections the principal projection for inward migration was reasonably in line with the experience at that time but this is no longer the case. In 2001 net inward migration to the UK was 171,800^[iii] (172,400 to England). If this trend continues, net migration into England will create approximately 1.8 million new households in the period 1996-2021 and a need for a similar number of dwellings. This is 1.1 million more than is being allowed for in current plans. The current principal projections equate to 155,000 additional homes each year. If 2001 rates of net inward migration continue until 2021^[iv] we will need over 200,000 additional homes each year - a two-thirds increase on the current construction rate (see below).

19. The likelihood is that net inward migration will continue to increase over the next few years. The principal drivers of this increase will be the rise in the numbers of work permits being issued and migration from Eastern Europe arising from the accession of eight former communist countries to the EU in 2004. MigrationwatchUK has estimated that this will increase gross long-term migration by between 20% and 25% by 2004 in comparison with 2001. If net migration follows a similar trend - that is if it increases to, say, 210,000

by 2004 and then stays at that level up to 2021, there will be a further requirement for about 300,000 homes in the period 2004 to 2021 - which would bring the overall total required due to immigration to 2.1 million. But, for the purposes of this paper we have taken the lower figure of 172,000 net migration from 2001 to 2021[v]. We have made no allowance for illegal immigration.

20. However, current rates of house building are not meeting the published projections. "New house building has fallen steadily from a peak of 350,000 annually in the late 1960's to below 140,000 now. The net figure taking account of demolitions is nearer 120,000[vi]. The result is that demand for housing, especially in London and the wider South-East is outstripping supply. Many on modest incomes, including key public sector workers and others essential to the local economy, cannot afford to buy - and renting can be very expensive. Increasing numbers of people find themselves without a home. In September 2002 there were 85,000 homeless households who had been placed in temporary accommodation. Two-thirds of these were families with children; minority ethnic groups are disproportionately affected[vii]."

21. The creation of new households is not evenly spread around England as the following table shows [viii]:

| | 2001 | 2004 | 2011 | 2015 | 2021 | Increase in 20s | Percentage increase 20s |
|---------------|-------|-------|-------|-------|-------|--------------------|-------------------------------|
| South East | 1.30 | 1.12 | 1.14 | 1.15 | 1.17 | 0.17 | 5.4% |
| South West | 2.02 | 2.09 | 2.00 | 2.06 | 2.11 | 0.23 | 11.0% |
| Yorkshire | 2.14 | 2.20 | 2.24 | 2.30 | 2.39 | 0.23 | 10.7% |
| E Midlands | 1.76 | 1.82 | 1.90 | 1.97 | 2.07 | 0.27 | 15.3% |
| W Midlands | 2.19 | 2.24 | 2.30 | 2.35 | 2.40 | 0.21 | 9.6% |
| East | 2.28 | 2.30 | 2.43 | 2.50 | 2.59 | 0.40 | 17.6% |
| London | 3.12 | 3.25 | 3.30 | 3.32 | 3.35 | 0.23 | 7.4% |
| South East | 3.40 | 3.52 | 3.74 | 3.91 | 4.06 | 0.66 | 19.4% |
| South West | 2.14 | 2.21 | 2.30 | 2.34 | 2.39 | 0.25 | 11.7% |
| England Total | 22.99 | 23.23 | 23.52 | 23.73 | 24.00 | 3.11 | 14.7% |

click chart to view larger version.

22. The next table shows the impact on households with net inward migration continuing at 172,000 each year (creating the need for 1.1 million additional households) and with the increased numbers of households spread across regions in proportion to current rates of net inward migration to those Regions[ix]:

| | 2001 | 2021 | Increase in 20s | Percentage increase 20s |
|---------------|-------|-------|--------------------|-------------------------------|
| South East | 1.30 | 1.19 | 0.09 | 3.2% |
| South West | 2.02 | 3.17 | 0.29 | 14.6% |
| Yorkshire | 2.14 | 2.42 | 0.28 | 13.1% |
| E Midlands | 1.76 | 2.03 | 0.27 | 15.3% |
| W Midlands | 2.19 | 2.46 | 0.27 | 12.3% |
| East | 2.28 | 2.93 | 0.45 | 19.7% |
| London | 3.12 | 4.29 | 1.20 | 48.2% |
| South East | 3.40 | 4.17 | 0.77 | 22.6% |
| South West | 2.14 | 2.55 | 0.42 | 20.2% |
| England Total | 26.99 | 32.11 | 4.11 | 15.2% |

click chart to view larger version.

23. The table above demonstrates that London, as the preferred destination for two-thirds of immigrants, would have to provide an enormous number of new houses to cater for the influx of immigrants. This is clearly not viable. In practice, there is likely to be an accelerated movement of the indigenous population out of London to other parts of the country - particularly to the East, South East

and South West. A shift in population of such a scale and nature would have a huge impact on London.

24. The third table below gives a more likely outcome based on net migration continuing at the rate of 172,000 a year. The additional 1.1 million households which will be created have been spread amongst the regions in the same proportions as the regional increases bear to the overall increase in the principal projections:

| | 2001 | 2021 | Increase 2010-2021 | Percentage increase 2010-2021 |
|---------------|-------|-------|--------------------|-------------------------------|
| North East | 1.56 | 1.19 | -0.37 | -23% |
| North West | 2.86 | 2.20 | -0.66 | -23% |
| Yorkshire | 2.54 | 2.46 | -0.08 | -3% |
| E Midlands | 1.76 | 2.13 | 0.37 | 21% |
| W Midlands | 2.35 | 2.46 | 0.11 | 5% |
| East | 2.68 | 3.05 | 0.37 | 14% |
| London | 2.32 | 3.04 | 0.72 | 31% |
| South East | 2.40 | 4.30 | 1.90 | 79% |
| South West | 1.33 | 1.60 | 0.27 | 20% |
| England Total | 20.57 | 22.13 | 1.56 | 7.6% |

click chart to view larger version.

24. These projections indicate an increase of about a quarter in the number of dwellings required in London and the East, South-East and South-West of England over the next 20 years. These are areas which currently have the lowest numbers of empty homes, the highest house prices, the least supply of previously developed sites and, in the case of London and the South-East, the two most densely populated regions of England (and amongst the most densely populated regions in Europe).

25. The Government's response to the currently projected housing need involves a large number of actions detailed in the report "Sustainable Communities". These include streamlining the planning system (the current system is seen as a brake on development) and developing four "growth areas" - namely the Thames Gateway, Milton Keynes/South Midlands, Ashford and the London-Standed-Cambridge corridor (LSC). The government wants to see 80,000 new homes built in the Thames Gateway and sees potential of 370,000 new homes in Milton Keynes-South Midlands, 31,000 in Ashford and 322,000 in LSC by 2031[x].

26. The House of Commons Committee, ODP: Housing, Planning, Local Government and the Regions, has considered the detailed plan for the South-East issued by the Office of the Deputy Prime Minister[xi]. Amongst its conclusions were[xii] :

- "Building more homes is not a panacea and the impact of such a housing programme on the environment could be unsustainable."
- "The impact of building so many homes in the South East, one of the most densely populated regions in Europe has not been fully assessed."
- "The additional homes [in the four development areas] could place excessive demands on the environment leading to the loss of greenfield sites and excessive pressure on the water supply and other natural resources."
- "It will be an expensive and complex task to build so many homes..... The costs [of providing transport links, healthcare, education and other facilities] will probably not be much less than £20 billion in the four Growth Areas. It must be questionable whether the benefits justify such a huge outlay."
- "The complexity of providing water supplies for the increased number of households in one of the most arid regions in England could place a restraint on new development"
- "The Government's objective to bring down house prices is unlikely to be achieved."

27. Yet these are comments based on the principal household projections which allow for net inward migration of only 65,000.

If actual levels of net migration of 172,000 are used the likely need for new homes in the South-East and London alone will be 430,000 by 2021 over and above the 1,180,000 already planned for those two regions.

28. We conclude that:

- The current levels of net inward migration and the Government's encouragement of migrant workers will make the housing problems in the South-East unmanageable and will have a massive negative impact on the quality of life in the region.
- The fact that many immigrants choose to join existing communities in London could lead to a movement of significant numbers of the indigenous population out of London with implications for house prices and the quality of life in surrounding regions.
- The Government has not considered the enormous costs of providing infrastructure, nor the social costs of still greater congestion when assessing the economic case for migration.
- Migration is exacerbating existing skills shortages, particularly in the public sector, by increasing demand for housing, causing demand to outstrip supply, raising house prices and making houses unaffordable. This makes it difficult to recruit and retain key workers in London and the South East.
- To the extent that skills shortages are being met by further inward migration, this creates further demand for houses and generates further loss of key workers from London and the South-East - a vicious cycle.
- By contrast, a policy of balanced migration would help to ease the housing crisis by evening out supply of, and demand for, housing, reducing pressure on greenfield sites and saving enormous sums of money on infrastructure costs alone
(to say nothing of the costs of providing housing - particularly social housing).

18 July, 2003

NOTES

- [i] Source: Office of the Deputy Prime Minister: Housing Statistics, Projections of Households in England 2021 annex G Table G3. Original Source: National Population Projections 1996 based, Table 4.6.
- [ii] A variation of 40,000 in the annual rates of immigration leads to 410,000 fewer households and an increase of 40,000 annually leads to the creation of 450,000 households in the period 1996 - 2021 : Source: Office of the Deputy Prime Minister: Housing Statistics ? Projections of households In England 2021 Annex G table G7. Calculation based on an average between these two figures.
- [iii] Office for National Statistics estimates released in June 2003
- [iv] Assuming 172,000 net migration levels for 2001-2020 inclusive and actual net migration rates for England for the period 1996-2000 inclusive of 61,000, 60,000, 145,000, 154,000 and 169,000 respectively (Source ONS). This gives an average net migration figure of 161,000 over the 25 year period, i.e. 96,000 above principal projections. Applying the positive variation of 450,000 households per 40,000 increase in net migration (see footnote ii above) gives 1.08 million households.
- [v] See Appendix to Migration Watch UK Research Paper K ?Unmanaged Migration?
- [vi] Source: ?Sustainable Communities? produced by the Office of the Deputy Prime Minister, 2003.
- [vii] Extracts from ?Sustainable Communities? produced by the Office of the Deputy Prime Minister, 2003.
- [viii] Source: Office of the Deputy Prime Minister.
- [ix] Derived from ONS: Total International Migration 1992 to 2001 area of destination or origin within the UK. This gives the following percentages of the overall net international migrants for each Region in the period 1996-2001: North East 1.5%; North West 5.6%; Yorkshire 4.6%; E. Midlands 0.1%; W. Midlands 5.1%; East 3.1%; London 67.2%; South East 9.9% and South West 2.9%.
- [x] Source: Sustainable Communities
- [xi] Planning for Sustainable Housing and Communities: Sustainable Communities In The South East
- [xii] Extract from the summary of the ODPM Committee?s report.