



Are Migrants an Economic Benefit to the UK?

Economic: MW 386



Summary

1. Overall, migrants in the UK have been, and continue to be, a net fiscal cost to the UK Exchequer. Only recent migrants from the EU14 have made a net positive fiscal contribution. Immigration has not been shown to have any significant impact, either positive or negative, on GDP per capita, a key measure of economic performance. There is therefore, no economic case for mass immigration on the present scale.

Measuring Economic Costs and Benefits

2. This note examines two different ways of measuring the economic benefit of migrants in the UK.

- a) The balance of taxes paid by migrants against their cost to the Exchequer (the net fiscal impact)
- b) The contribution of migrants to GDP per capita.

3. The net fiscal impact of migrants involves a calculation of the total amount paid in taxes and other payments set against the total value of benefits and services consumed.

4. On the revenue side of the equation, this is more than merely national insurance and income tax but also covers company and capital taxes, business rates, inheritance tax, consumption tax in the form of VAT and other indirect taxes.

5. Similarly, expenditure is much more than just benefits and tax credits but also encompasses public services and pure public goods such as health, education, the police, courts etc.

6. The economic benefit of migrants can also be understood in terms of their impact on Gross Domestic Product (GDP) per capita. GDP is the total value of goods and services produced and is a measure of output. An increase in GDP is a sign of a growing economy. But where GDP is increasing only because population is growing, the cake is getting larger but no one is getting a bigger slice.

The Fiscal Impact of Immigration

7. HM Revenue and Customs has released data on Income Tax and National Insurance paid by 'recent' EU migrants (those who arrived between 2010 and 2014) and tax credits and Child Benefit they received in the tax year 2013/14.¹ This was described as indicating a 'net fiscal contribution' of £2.54 billion. However, it is completely misleading since it omits entirely the costs of Housing Benefit or other welfare spending, let alone the cost of any public services they consume.

8. The population as a whole paid over £260bn Income Tax in the tax year 2013/14 and received £41bn in tax credits and Child Benefit, and on this basis HMRC received £220bn more than they paid out. If this were really the measure of 'net fiscal contribution' then the UK would not have been in deficit and the Chancellor would not have needed to borrow any money or make any cuts to public spending.

9. In their 2013 'International Migration Outlook' report², the OECD concluded:

Depending on the assumptions made and the methodology used, estimates of the fiscal impact of immigration vary, although in most countries it tends to be very small in terms of GDP and is around zero on average across the OECD countries considered. The impact, whether positive or negative, rarely exceeds 0.5% of GDP in a given year.

10. The fiscal impact of migrants depends on two factors - the timescale selected and the origin of the migrants. This is because more recent migrants are often less reliant on services than longer-term residents and people from different country groupings have very different economic profiles.³ For this reason, assessments of the fiscal impact of migrants tend to be broken down by the following citizenship groups: EU14, EU10, Non-EU; and the following time scales: all migrants regardless of year of arrival, and recent arrivals (those who arrived since 2001).

11. A considerable amount of detailed analysis has been carried out by the Centre for Research and Analysis on Migration (CReAM) at University College London and Migration Watch UK, following a line of research started by the Home Office in 2002 which seeks to calculate the fiscal impact of migrants in the UK. A summary of recent work can be found below at Tables 1 and 2.

All Migrants

12. Three major recent studies have assessed the net fiscal impact of migrants in the UK over different periods. The OECD found an average annual net fiscal cost of £4.3 billion in the years 2007 to 2009. Thus, on average, migrants paid £4.3 billion less in taxes than they received in benefits and services.

1 HMRC, Statistics on recently arrived non-UK EEA nationals subject to income tax and National Insurance contributions or receiving HMRC administered benefits, May 2016, URL: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522811/HMRC-Ad_Hoc_Stats_Release-EEA_Nationals_net_contribution_2013-2014.pdf

2 OECD, Global Migration Outlook 2013. See [here](#).

3 For more on this see here: <http://www.migrationwatchuk.org/briefing-paper/367>

13. Dustmann and Frattini of CReAM found that all migrants were a net fiscal cost of £14.8 billion in the financial year 2011/12.

14. Using similar methodology to CReAM, research by Migration Watch UK found that all migrants were a net fiscal cost of £13 billion in 2014/15.

Recent Non-EU Migrants

15. Recent migrants from non-EU countries were also a net cost to the Exchequer in both analyses. CReAM estimated a net cost of £2.2 billion in 2011/12 meanwhile Migration Watch estimated a cost of £3.8 billion in 2014/15.

Table 1. Summary of Recent Analysis on Fiscal Cost of Immigration.

Estimates of Fiscal Impact of Overall and Recent Non-EU Immigration (Annual)			
Migrant Cohort	Author	Fiscal Impact	Time Frame
All Immigration	OECD	−£4.3 bn	Average 2007-2009
	CReAM	−£14.8 bn	2011/12
	MWUK	−£13 bn to - £17 bn	2014/15
Recent' Non-EU Immigration	CReAM	−£2.2 bn	2011/12
	MWUK	−£3.8 bn	2014/15

Recent EU 14 Migrants

16. In both the CReAM and Migration Watch assessments, recent migrants (those who arrived since 2001) from the old member states of the EU14 made a net fiscal contribution. CReAM estimated the net contribution to be £1.4 billion in 2011/12 while Migration Watch UK estimated that in 2014/15 that figure was £2.8 billion.

Recent EU 10 Migrants

17. Recent migrants from the new East European states of the EU8 and the EU2 (together the EU10) have however been a net fiscal cost. CReAM estimated a cost of £138 million in 2011/12 whereas Migration Watch found a net cost of £1.5 billion in 2014/15.

Table 2. The fiscal impact of recent EU migration

Estimates of Fiscal Impact of Recent EU Immigration (Annual)			
Migrant Cohort	Author	Fiscal Impact	Time Frame
Recent' EU14 Immigration	CReAM	£1.4 bn	2011/12
	MWUK	£2.8 bn	2014/15
Recent' Eastern European Immigration	CReAM	-£138 m	2011/12
	MWUK	-£1.5 bn	2014/15

The Impact of Immigration on GDP per Capita

18. There is very little evidence that immigration has any significant impact on GDP per capita, whether negative or positive. Immigration grows the economy so GDP rises, but in the UK, and evidence suggests in many other places as well, GDP per capita changes to a much lesser degree, showing little benefit overall to the population.

19. In 2008, the House of Lords Select Committee on Economic Affairs conducted a thorough analysis of immigration to the UK⁴. They concluded:

We have found no evidence for the argument, made by the Government, business and many others, that net immigration—immigration minus emigration—generates significant economic benefits for the existing UK population.

20. A 2011 report⁵ published by the National Institute of Economic and Social Research (NIESR) considered the longer term impact of East European migration on GDP per capita and concluded:

...the long run impact on (UK) GDP per capita (of enlargement) is expected to be negligible.

20th June 2016

4 House of Lords Select Committee on Economic Affairs, 2008, The Economic Impact of Immigration, URL: <http://www.publications.parliament.uk/pa/ld200708/ldselect/ldeconaf/82/82.pdf>

5 NIESR, Labour Mobility within the EU, 2011, See [here](#).