



[www.migrationwatchuk.org](http://www.migrationwatchuk.org)

## **Further Submission to the House of Lords Select Committee on Economic Affairs**

### **Supplementary evidence from Migrationwatch**

#### **Introduction**

1. The government have self evidently lost control of our borders. They have also, by their own policy decisions, stimulated massive levels of immigration. Over the past five years they have produced a series of highly questionable economic arguments (Annex A). The Committees enquiry has now obliged them to state their case in full. This note examines the governments key arguments.

#### **Impact of immigration on GDP per head**

2. The government now accept that this impact is small but positive[1]. Their evidence [2] estimates that, in 2006, immigration added 6 billion to GDP. The UK's GDP in that year was a little under 1,300 billion, so the addition was just 0.46%. This estimate was based on a net inflow of 185,000 migrants which would have directly added 0.31% to the UK's population. Thus the addition to GDP per head in that year was 0.15% which, if spread evenly across the population, would amount to about 32 a year per person or 62p per person per week. In fact, the population increase resulting from migration will become considerably higher as the migrant population has UK born children.

3. The paper admits that "there is no quantitative evidence available on the impact of immigration on GDP per head". It continues, "Wage data suggests that the migrants may have a positive impact directly through their own output and indirectly through raising the productivity of others". It is true that migrant workers, on average, earn more than the UK born but this is very largely off-set by lower labour market participation rates (see also para 5 below).

#### **Fiscal contribution of migrants**

4. We have already demonstrated (and the government do not deny) that a positive result can only be obtained if the costs of million children of mixed parentage (one immigrant, the other UK born) are charged entirely to the host community. The more logical approach is to split these costs 50/50 since the entry of migrants results in more dependant children. This leads to a small negative fiscal impact. It should also be noted that personal remittances from the UK have risen to about 10 million a day. [3]

#### **The impact of immigration on productivity**

5. The report suggests that because the mean wage for foreign-born workers is higher than for UK-born workers (424 per week compared with 395) 'migrants have higher productivity than UK workers'. This takes no account of the fact (highlighted later in the report at paragraph 5.4.1) that their employment rate is 68% compared to about 75% for the UK-born. Taking these two measures together suggests that the productivity per foreign-born person of working age is slightly less than that of the UK-born.

### **Pensions**

6. Since the government paper was submitted, new 2006 based population projections have been published which take account of the increase in the pension age to 68 by 2056. These also assume, as their principal projection, a long-term net immigration rate of 190,000 per year. We estimate that under a balanced migration scenario, in which the numbers of people emigrating and immigrating are broadly similar, the percentage of the population of working age would fall from its current level of 59.6% to 57.3% in 2056 as compared to 58.9% under the governments principal projection; surely entirely manageable.

### **Housing**

7. The report notably failed to comment on the impact of a rapidly rising population. The most obvious impact is on housing where the latest government projections showed migration contributing an average of 73,000 households a year to the projected rise of 223,000 each year between 2004 and 2026 (one third of the total). The latest population projections assume that net migration to England will increase to 171,500 a year. This is likely to raise the number of households formed to 246,000 a year of which immigration will contribute 96,000 or 39%. This will add enormously to future infrastructure requirements.

### **Conclusions**

8. The Home Office study reiterated many of their previous arguments, most of which are either wrong, misleading or irrelevant. In particular, they were unable to show that immigration has significantly raised GDP per head. We conclude that the overall economic benefit of migration is small and heavily outweighed by the implications of adding 18 million to our population in the next fifty years.

9. Limited, high skilled migration can of course be beneficial to the economy. For some industries, such as pharmaceutical research, it may be critical to the industry's success. It should, however, be possible to attract such talent whilst maintaining a broad balance between immigration and emigration. This would provide some useful economic benefit whilst avoiding the massive rise in population which current immigration policies entail.

## **ANNEX A**

### **FOUR FAVOURITE FIBS**

#### **(The Governments shifting arguments for large-scale immigration)**

##### **1. 600,000 vacancies need to be filled**

Disproved by the facts. Net immigration since 2001 when the government first made this claim is approaching 900,000 but vacancies are still at about 600,000. The reason is that immigrants fill jobs but also create demand. To argue from vacancies is therefore to advocate an endless cycle of immigration. It is also to fall into the lump of labour fallacy.

##### **2. Immigrants comprise 8% of the workforce but contribute 10% of GDP.**

Rejected by the Statistics Commission. This takes no account of the higher unemployment among immigrants and the lower participation by women. Correcting for these factors shows migrants making up 10% of the working age population and contributing 10% of GDP.

In May 2006, the government revised their claim to 10.5% of adults and 11% of GDP. (House of Lords answer HL 5379). Even this calculation was biased by the omission of children. Correcting for this omission gives 11.2% for the immigrant population and 10.9% for their contribution to GDP slightly negative.

### **3. Immigrants earnings are 13% higher than those of indigenous workers.**

Dismissed by Statistics Commission for the same reason. Correcting for lower participation rates and higher unemployment among immigrant communities makes average wages across the working age population of immigrants the same as for the population as a whole. Only about 1 in 5 of the foreign born population earns more than the average salary for full time work the same proportion as the UK born.

### **4. Immigrants are needed to pay our pensions**

The House of Lords Economic Affairs Committee dismissed this argument in November 2003. They reported We conclude that it is neither appropriate nor feasible to attempt to counter the trend towards a more aged society in the UK through a manipulation of immigration policy.

The Turner Commission on pensions reached a similar conclusion in their interim report.

14 January, 2008

## NOTES

- 1 HL 211 26 Nov 2007 Col WA 102
- 2 The economic and fiscal impact of immigration CM 7237 page 11
- 3 HL 212 19 Nov 2007