



The True Cost of an Amnesty for Illegal Immigrants

1 Introduction

This paper is a Migrationwatch response to various proposals for what amounts to an amnesty for illegal immigrants. It specifically responds to the financial claims included in the IPPR proposal. It is in two parts:

Part A The costs based on the situation at the point at which an amnesty is granted.

Part B **The eventual costs**

A cost estimate using more up to date information than contained in the IPPR proposal, and more importantly, projecting the situation beyond the date an amnesty is granted and especially the effect of establishing family units.

PART A - THE INCOME AND COSTS BASED ON THE IPPR PROPOSAL, AT THE POINT AN AMNESTY IS GRANTED

2 Summary

2.1 The IPPR proposal

In their proposal they claim that:

IPPRs research shows that regularising the nearly half a million people who currently live and work illegally in the UK could net the Treasury around £1 billion a year[1]

They have taken the data for their financial analysis from two further documents issued by the IPPR:

a Factfile titled **Irregular Migration into the UK** issued in April 2006

a study commissioned by the IPPR titled **Beyond Black and White - Mapping new immigrant communities**

This response by Migrationwatch is based on the same documents.

2.2 Key points apparent from the IPPR financial justification

There are two key points:

2.2.1 Income to the Treasury

Their figure of £1 billion of income is their best case - their Factfile [2] gives a range of income figures, the lowest being £485 million and the highest being £1038 million. The Migrationwatch analysis shows, using their data, that the IPPR are wrong to base their case only on the best possible level of income to the Treasury.

2.2.2 Costs

The IPPR have taken absolutely no account of the additional expenditure involved, for example, Tax Credits, Unemployment Benefits, Child Benefit, Housing Benefit, Education and Health.

2.3 The Migrationwatch findings

The IPPR claim is that an amnesty could net the Treasury around £1 billion a year. The Migrationwatch analysis shows that, rather than generating income for the Treasury, an amnesty would cost the taxpayer, between £0.8 billion and £1.8 billion a year.

The rest of Part A below explains the serious flaws in the IPPR figures and, using their data as the basepoint, provides more accurate figures for the estimated income and costs arising from an amnesty.

3 The income to the Treasury from an amnesty

The IPPR Factfile estimates that the Income Tax and National Insurance income from an amnesty would be between £485 million and £1038 million a year. These are at 2006 minimum wage and taxation rates. For the purposes of this paper they have been uplifted to the 2007 minimum wage and taxation rates which changes these figures to £530 million and £1020 million respectively.

For the lower income figure (£530 million) IPPR have assumed that the average hourly rate earned by illegal immigrants is equivalent to the minimum wage (£214 for a 40 hour week) and the higher figure uses the average weekly wage (£308 a week) in relation to all recently arrived immigrants. [3]

It is incorrect for the IPPR to use the £308 figure because this is based on all recently arrived immigrants, including those from fully developed countries. For example in calculating this average the IPPR have included immigrants from such developed countries as the USA, Sweden, Australia, France and Belgium. [4] Clearly, including these countries increases the average wage to a level higher than the wages earned by illegal immigrants. For example the IPPR statistics show that over 5% of workers included in their calculations are earning in excess of £1000 a week. [5]

Clearly the average wage for illegal immigrants will be lower than £308 and so the income to the Treasury will be less than the £1 billion estimated by the IPPR. Nevertheless for this Migrationwatch analysis the maximum income figure of £308 a week has been retained.

The IPPR's own analysis states Irregular workers are thought to work in sectors that pay low wages. [6]

Thus IPPR's own analysis indicates that the average wage for illegal immigrants will be at the

bottom end of their estimates (i.e. £214 a week) and not their highest estimate (£308 a week).

The wage rates assumed by the IPPR are of key importance. The higher the income then the higher the income to the Treasury. But the lower the income, the lower the income tax and National Insurance benefit to the Treasury and the higher the cost of paying out more means tested benefits. These costs are set out below.

4 The costs that would arise from an amnesty

4.1. The IPPR illegal immigrant figures

The IPPR paper assumed there are 430,000 illegal immigrants. [7] This is based on the 2001 census and is out of date, but Migrationwatch has used the same figure in this response.

The IPPRs own estimate for the breakdown of these illegal immigrants is as follows: [8]

	Number	% of total illegal immigrants	% of working age immigrants
Illegal immigrants currently working	216,850	50.4%	61.5%
Illegal immigrants not working			
Unemployed	17600	4.1%	5.0%
Economically inactive	118150	27.5%	33.5%
Total illegal immigrants not working	135750	31.6%	38.5%
Total working age illegal immigrants	352,600	82.0%	100.0%

Children	77,400	18.0%	
Total	430,000	100.0%	

Thus IPPR estimate that only 50% of the illegal immigrants are working. Whilst they have included all the direct sources of income to the Treasury from this 50% of immigrants they have taken no account whatsoever of the costs involved. These are explained and calculated below.

4.2 Working Tax Credits

Working tax Credits are paid to lower paid workers. For the IPPR lowest income estimate (average weekly wage £214) Working Tax Credit payments would total £240million. Working Tax Credits would be £20million for the highest income estimate (average weekly wage £308 a week).

4.3 Unemployed immigrants

The IPPR estimate that 17600 of the immigrants will be unemployed but have failed to take account of the costs of supporting these immigrants. Benefits to support these unemployed

immigrants would be £210million a year.

This is likely to be an understatement of the cost because in their unemployment figures the IPPR have used the unemployment rate for all immigrants, including those from fully developed countries who are less likely to be unemployed. [9]

For example, the IPPR average calculation includes unemployment rates of 1.2% for Canadian immigrants and 1.9% for Japanese immigrants. At the other end of the spectrum, for nationalities more likely to be included in the illegal immigrant population the IPPR figures show, for example, that the unemployment rates for immigrants from Angola are 23.6%, Algeria 15.6%, Iran 13.9% and Iraq 11.8%. [10]

Only the basic benefits that unemployed people are entitled to have been included; additional benefits such as free school meals and free prescriptions have not been included.

4.4 The proportion of working and non working immigrants

The proportion of working age immigrants who are actually working is critical to these financial calculations. The IPPR estimated that 61% of the working age illegal immigrants are working, 5% are unemployed and 34% are not looking for work. [11] They have based this estimate on their own analyses covering all immigrants. Within the IPPR calculations, at the one end are New Zealand, Australia, the Philippines and Canada with employment rates of 94%, 91%, 85% and 83% respectively. At the other end of the spectrum are Somalia, Angola, Iran, Albania, and Ethiopia with employment rates of 12%, 30%, 32%, 32% and 32% respectively. [12]

Clearly the 61% estimate used for the illegal immigrant population is optimistic. An employment rate lower than 61% would have a potentially major impact on the cost of an amnesty through lower income to the Treasury but higher benefits payments.

4.5 Working age immigrants who are not working or looking for work

These immigrants will need supporting. On the assumption that they are partners of working or non working immigrants then the supporting immigrant will receive extra Working Tax Credit or Income Support these extra benefits have been reflected elsewhere in this financial examination.

4.6 Children

The IPPR estimate that 77,400 of the illegal immigrants are children under 16. The Child Tax Credit and Child Benefit payments for these children would be £200million a year.

No allowance has been made in the IPPR figures or this cost examination for costs over and above the basic benefits paid for children. For example, no allowance has been made for Childcare benefits or the extra costs paid in relation to single parent families.

4.7 Housing Benefit and Council Tax Benefit

Once legalised, immigrants would be eligible for Housing Benefit and Council Tax Benefit. These entitlements, if taken, are estimated to amount to £540million a year for the IPPR lowest income option and £220million a year for the highest income option.

4.8 Public services

For the purposes of this analysis just two Public Services costs have been taken into account, Health and Education. These costs generally rise in direct proportion to the number of United

Kingdom residents.

The average annual Health cost for people under 65 is £1175[14] per person and for 430,000 immigrants the extra cost would therefore be £510million a year.

For education the cost per child is £3985 a year[15], giving a cost of £310million a year for 77,400 children.

There are numerous other Public Services costs that rise in direct proportion to the rise in population, for example, policing and social services costs.

4.9 Displacement of existing potential workers

There is likely to be some displacement of British workers as those amnestied enter the legal labour market. We have made the conservative assumption that only one in ten of the legalised workers replace a British worker who will then become entitled to benefits. This would cost the Treasury about £350 million a year.

4.10 Summary

The following table sets out the minimum costs that would arise from an amnesty for illegals.

£ millions	IPPR lowest income estimate	IPPR highest income estimate
Additional income to the Treasury	530	1020
Costs not taken into account by the IPPR	•	•
Working Tax Credits	240	20
Minimum cost of supporting immigrants not working	210	210
Cost of supporting illegal immigrant children	200	200
Housing Benefit and Council Tax Benefit	540	220
Extra health costs	510	510
Extra education costs	310	310
Benefits for additional unemployed British workers	350	350
Total minimum cost of an amnesty	2360	1820
Minimum net cost of an amnesty	1830	800

The above analysis is not a complete statement of the costs. The true total net cost would be much higher because:

4.10.1 The IPPR figures understate the number of illegal immigrants and also overstate the proportion of illegal immigrants who are working.

4.10.2 The IPPR £1billion income calculation overestimates the wage rates for the jobs being done by illegal immigrants.

4.10.2 Some illegal immigrants currently working in the Black Economy for cash may stay working in the Black Economy and also claim benefits.

4.10.2 The estimated costs for public services have only included Health and Education. There are many other costs that, assuming no dilution in the level of services to the existing population, also rise in proportion to the rise in the population. Neither has allowance been made for extra costs like interpreters.

The above costs reflect the additional net annual costs to the Treasury immediately following an Illegal Immigrant amnesty.

Part B goes on to estimate the eventual annual costs of an amnesty.

PART B THE EVENTUAL ANNUAL COSTS OF AN ILLEGAL IMMIGRANT AMNESTY

5 Summary of Part B

Part B updates Part A with more up to date information. In addition, and importantly, it reflects the inevitability that some single illegal immigrants will, over time, set up family units.

The minimum eventual annual cost of an illegal immigrant amnesty is estimated to be in excess of £5 billion a year.

6 The figures used for Part B 6.1 The number of illegal immigrants

A more up to date estimate of the number of illegal immigrants is between 500,000 and 750,000. Part B uses the mid point of this estimate i.e. 625,000 illegal immigrants.

6.2 Wage rates

The mid point of the IPPRs lowest and highest weekly wage figures have been adopted. This gives a weekly wage of £261, 22% above the minimum wage, which assumes that the average weekly wage earned by immigrants will, over time, rise above the minimum wage.

6.3 Unemployment rate

The IPPR assumption has been used, even though their rate is for all immigrants, including immigrants from economically developed countries.

6.4 Creation of family units

Once legalised, some immigrants would get married or take on partners, or bring an existing wife or partner to the UK.

Some will also have children or bring existing children to the UK.

In this analysis it has been assumed only that the family make-ups for the legalised immigrants would eventually be the same as for the existing UK population. No allowance has been made for the fact that immigrant families are, on average, larger than for the population as a whole.

6.5 Inactive rate

The proportion of the working age population that is economically inactive has at 34% been

understated by the IPPR. Nevertheless the figure has been used by Migrationwatch.

6.6 Public Services

Only the costs for Education and Health have been included.

For Health the overall average national cost per person has been used. The Treasury allocates £104billion a year for Health and for a population of 60.6million this gives an annual cost per person of £1720.

6.7 Displacement of existing potential workers

The figure of 10% mentioned in Part A above has been retained.

6.8 State pensions and Pension Credit

The IPPR estimate that 55% of the illegal immigrants are aged 25 to 44 and 10% will be aged 44 to 64. [13] This means that these immigrants will pay less total national insurance premiums towards their pensions than someone who has worked in the United Kingdom from an earlier age.

Some workers (if they are not contributing to a pension scheme) and some immigrants not actively seeking work will be entitled to Pension Credit rather than just the State Pension, and will therefore also be eligible for full payment of their rent and Council Tax, throughout their retirement.

Whilst these costs are potentially substantial, they have not been taken into account in this cost examination.

6.9 The Black Economy

The working illegal immigrants covered by the IPPR proposal will currently be working in the Black Economy for cash. It is likely that some immigrants will choose to continue working for cash and at the same time start to draw benefits. No account has been taken of this potential extra cost.

6.10 The eventual financial cost of an amnesty

We estimate that the eventual net annual cost of an amnesty, on the assumptions set out above, would be as follows:

	Annual cost (£millions)
Additional income to the Treasury	1130
Costs not taken into account by the IPPR	
Working Tax Credits	290
Minimum cost of supporting immigrants not working	410
Cost of supporting illegal immigrant children	1070
Housing Benefit and Council Tax Benefit	1010
Extra health costs	1780
Extra education costs	1590
Benefits paid to existing pool of unemployed people	510
Total costs	6660
Excess of costs over taxation and national insurance receipts	5530

As with Part A, the above is not a comprehensive calculation of all the costs involved.

A spreadsheet giving details of these calculations is available. [Click here.](#)

30 August, 2007

NOTES

References refer to the following IPPR documents:

IPPR press release Jacqui Smith should back amnesty for illegal workers 15th July 2007 (IPPR press release) IPPR Factfile Irregular migration in the UK April 2006 (IPPR Factfile) IPPR Beyond black and white Mapping new immigrant communities (Kyambi 2005)

[1] IPPR press release

[2] IPPR Factfile page 12 para 5

[3] IPPR Factfile page 12 para 5

[4] Kyambi 2005 page 128 figure 6

[5] Kyambi 2005 page 18 figure 6

[6] IPPR Factfile page 3 Summary note 6

[7] IPPR Factfile page 12 para 5

[8] IPPR Factfile page 12 para 5

Kyambi 2005 page 17 figure 4

[9] Kyambi 2005 page 17 figure 4

[10] Kyambi 2005 page 3 para 3

[11] Kyambi 2005 page 17 figure 4

[12] Kyambi 2005 page 3 para 2

[13] Kyambi 2005 page 16 figure 3

[14] Migrationwatch briefing paper 1.12 app 1, uplifted for inflation

[15] Migrationwatch briefing paper 1.12 app 6, uplifted for inflation