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SEVEN DEADLY SPINS

(The Governments shifting arguments for large-scale immigration - issued 15 Jan 2007)

There is no disagreement that *limited* skilled migration in both directions is valuable to all concerned. Not all impacts of immigration can be measured. Neither the benefits of innovation or diversity can be calculated, nor can the costs of additional congestion be accurately assessed. However, in so far as measurement is possible, we have examined carefully the governments arguments and have found them to be either false or misleading as the following indicates.

Our overall conclusion is that the economic benefits to the resident population of net immigration are small, especially in the long run. Of course, many immigrants make a valuable contribution to the UK. But the real issue is how much net immigration is desirable. (Abstract of House of Lords economic Committee Report 1 April 2008, paragraph 9.)

1. Immigrants are needed to pay our pensions

Dismissed by the Turner Commission on Pensions.

Arguments in favour of high immigration to defuse the pensions time bomb do not stand up to scrutiny as they are based on the unreasonable assumption of a static retirement age.. and ignore the fact that, in time, immigrants too will grow old and draw pensions. Increasing the retirement age, as the Government has done, is the only viable approach to resolving this issue. (Abstract, paragraph 7)

2. 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 nearly 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. ([See also Briefing paper](#))

We do not support the general claims that net immigration is indispensable to fill labour and skills shortages. Such claims are analytically weak and provide insufficient reason for promoting net immigration. (Abstract, paragraph 4).

3. Immigrants made a net contribution to the budget of 2.5 billion per year in 1999/2000

False. The Home Office study charged the full cost of children of mixed households to the native population. Splitting the cost of these children 50/50 between the two groups results in a net cost to the tax payer of 100 - 200 million in that year. ([See Briefing Paper](#))

We also question the Governments claim that immigration has generated fiscal benefits. Estimates of the fiscal impacts are critically dependent on who counts as an immigrant (or as a descendent of an immigrant) and on what items to include under costs and benefits. The overall fiscal impact of immigration is likely to be small, though this masks significant variations across different immigrant groups. (Abstract, paragraph 5)

4. Immigration adds 4bn to production

Misleading. This amounts to 0.32% of GDP but the population increase due to immigration was 185,000 in 2005 or 0.31%. So the annual benefit to the host population was 0.01% or just 4p per head per week. ([See Briefing Paper](#))

In July 2006, Robert Rowthorn, Professor of economics at Cambridge, wrote that The governments claim about the economic benefits of immigration is false..all the research suggests that the benefits for the existing population as a whole are either close to zero or negative.

Overall GDP, which the government has persistently emphasized, is an irrelevant and misleading criterion for assessing the economic impacts of immigration on the UK. The total size of an economy is not an index of prosperity. The focus of analysis should rather be on the effects of immigration on income per head of the resident population. Both theory and the available empirical evidence indicate that these effects are small, especially in the long run. (Abstract, paragraph 2)

5. Immigration provides 15% of trend growth. The government also claim that immigration adds 10-15% to trend growth which was 2.5%. Even 15% of that amounts to only 0.375 % of GDP so the benefit per head is still very small. Major studies in the US, Canada and Holland have reached similar conclusions.

See quote at paragraph 4 above

6. Immigrants reduce inflation and interest rates, permitting higher growth Correct. But immigrants also add to population so the benefit per head to the native population is very small. The latest ITEM Club simulation, addressed only to East European immigration and using the Treasury model, found that 300,000 workers would add 0.8% to GDP after 4 years. But this assumed that these migrants would earn, on average, the same as UK workers. In fact their earnings per head are just over half the UK average so their addition to GDP is likely to be 0.4% to 0.5%. On a conservative assumption of one dependant for every five workers these migrants would add 0.6% to the population. So, far from adding to GDP per head, they actually reduce it. ([See also Briefing Paper](#))

However, the main effect is to hold down low wages with the result that that employers and the middle classes benefit while the low paid suffer. Furthermore, it becomes even more difficult to move from welfare to work the 4.2 million British people on unemployment and incapacity benefit.

In the short term, immigration creates winners and losers in economic terms. The biggest winners include immigrants and their employers in the UK. Consumers may also benefit from immigration through lower prices. Taxpayers are likely to benefit from lower costs of public services. The losers are likely to include those employed in low-paid jobs and directly competing with new immigrant workers. This group includes some ethnic minorities and a significant share of immigrants already working in the UK.(Report conclusions, paragraph 221)

7a. 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 gives migrants making up 10% of the working age population and contributing 10% of GDP. ([See Briefing Paper](#))

In May 2006, the government revised this 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.

7b. 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 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.

The overall conclusion from existing evidence is that immigration has very small impacts on GDP per capita, whether these impacts are positive or negative. This conclusion is in line with findings of studies of the economic impacts of immigration in other countries including the US. The Government should initiate research in this area, in view of the paucity of evidence for the UK. (Report conclusions, paragraph 215)

Quotations from House of Lords report added 1 April 2008

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