

Briefing Paper 1.14



SEVEN DEADLY SPINS

(The Governments shifting arguments for large-scale immigration)

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 government's arguments and have found them to be either false or misleading as the following indicates.

1. Immigrants are needed to pay our pensions

Dismissed by the Turner Commission on Pensions.

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 1.6)

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 1.10)

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 1.15)

In July 2006, Robert Rowthorn, Professor of economics at Cambridge, wrote that "The government's 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."

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.

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 4.6)

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.

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 1.5)

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.

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