

NORTH EAST

RACE EQUALITY FORUM

INFORMATION BRIEFING

No.3



*The **economic impacts** of immigration*

Most of the press and political coverage of migration suggests that immigration is a bad thing: governments are prepared to acknowledge that some high value (i.e. very rich) migrants may be good for this country although there is little solid factual evidence of the extent to which they create jobs or invest in the British economy. Most of the political and media discussion revolves around the question of how to contain immigration and how to reduce the numbers of those coming to the UK. As is clear from most published research, including the government's own research, relatively very few migrants come to the UK for other reasons than to study or to work. The notion of 'benefit tourists' is a palpable nonsense, as anyone trying to live on the paltry sums of money available (and then only after some months stay) under, for example, Job Seekers Allowance or disability benefits.

Confirmation of the economic value of migrants has been outlined in the findings of much independent research, including research funded by the government itself such as the research undertaken at University College London and referred to in NEREF Information Briefing 1. Now further high level confirmation has come in the form of the commentary provided by no less than the Office of Budget Responsibility on the Chancellor of the Exchequer, George Osborne's, recent budget announcements. The Chancellor was keen to claim credit for the fact that economic growth has been promoted by his government, placing it well ahead of many OECD competitor economies. What he was rather more shy in revealing is the extent to which this growth was the direct result of immigration; indeed the OBR suggests that the net rise in migration lies behind most of the upgrade to its forecasts for Britain's

economic growth. The OBR provide some detailed facts in its commentary. These include the following:



- The total net migration figure for the last year is just under 300,000. That is three times the number targeted by David Cameron some years ago: but that is not bad news but good news for the economy.
- These migrants (with a very few exceptions and were they are allowed to – those seeking asylum are still not allowed to work) will make, as they have done for the past years, a net positive contribution to the economy, as they put in more taxes and generate higher productivity, than they take out in public services.
- The net tax take from these migrants may be as much as an extra £8Bn over the five years. This directly affects British nationals as this tax take reduces the need for higher taxes or for greater levels of austerity.
- Put another way, net migration will add about 0.6% to the potential output of the British economy and increase in net tax receipts which, as most migrants are of working age (rather than children or older people), will not increase the burden on public services.
- The OBR confirms that most people come to the UK to work or to study: they are just as likely to be employed (or unlikely to be unemployed to put it in the way that much of the media choose to adopt) as those already here.
- The potential output growth directly attributable to migration is about 0.5% as a result of the 16-plus population growth, and the high levels of employment adds a further 0.1%, all of which far outweighs any potential falls in productivity in the existing UK labour force.
- Although these figures are calculated at the national level, what is important for local people to realise is that the GDP per capita rate – that is, what the costs or benefits are to any particular individual – are very

much on the positive side, regardless of where you live.

- Although some of the media comments have suggested that there is a job displacement effect, that is that 'they' (migrants) take 'our' jobs, there has been very little evidence supporting this and it is generally only in very very limited circumstances. These are often in a few places in niches in the labour market at the bottom end where migrants end up doing the dirty difficult and dangerous jobs (with low pay, maximum flexibility and often, severe levels of exploitation) which UK nationals appear unwilling to do. The OBR also suggests that there is little evidence in support of the job displacement thesis. In the past year, an extra 239,000 migrants have found jobs but at the same time an extra 375,000 UK nationals have also found work.



Although the Office of Budget Responsibility's commentary does not go into much detail about the region, we know from other research that the impact of cutting migration figures would be substantial on the region's economy. We have already reported for example that certain industrial sectors would be damaged, in some cases very much so, by the reductions in availability of migrant labour. One such sector would be agriculture where the impact would be felt most strongly in rural parts of the region and especially Northumberland and parts of Durham county. Another would be the domiciliary and more general social care sector which, given the increasingly skewed population of parts of the region towards older people, would also be significantly affected by a loss of migrant labour. Higher education would also suffer. The total education export earnings, which includes international student fee revenue and estimated off-campus expenditure, for the region is over £300M. That's very roughly £110 per head of the region's population for year: put another way the annual contribution to the economy of a city like Newcastle would be £33M.

With the General Election in mind it is worth remembering that migrant voters,

who form a significant minority in many constituencies, are generally more positive of British politics and more trusting of politicians and parties than others. It seems contradictory to pursue policies which would alienate them given the immense contribution which migrants make and will make to the UK economy. Once migrants settle, they also contribute enormously: as we reported in NEREF Research Briefing 1, the contribution to the regional economy of the settled Chinese population in the North East region is over £60M annually.



Contact: For further information, back copies of Information Briefings or Research Briefings, or to join the Network, email gary.craig@galtres8.co.uk

The North East Race Equality Forum is a Network of around 300 individuals and organisations in the North East Region committed to promoting racial equality in the context of social justice. No one organisation is necessarily committed to every idea published in the name of the Forum. The Forum is supported by the 'Race', Crime and Justice Regional Research Network, which includes researchers from each University in the region.