

HOUSE OF LORDS

Select Committee on Economic Affairs

1st Report of Session 2007–08

The Economic Impact of Immigration

Volume I: Report

Ordered to be printed 18 March 2008 and published 1 April 2008

Published by the Authority of the House of Lords

London : The Stationery Office Limited
£price

HL Paper 82-I

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NOTE:

(Q) refers to a question in oral evidence

(p) refers to a page of written evidence

The Report of the Committee is published in Volume I, HL Paper 82-I.
The Evidence of the Committee is published in Volume II, HL Paper 82-II

ABSTRACT

Immigration has become highly significant to the UK economy: immigrants comprise 12% of the total workforce—and a much higher proportion in London. However, we have found no evidence for the argument, made by the Government, business and many others, that net immigration—immigration minus emigration—generates significant economic benefits for the existing UK population.

Overall GDP, which the Government has persistently emphasised, 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 when the economy fully adjusts to the increased supply of labour. In the long run, the main economic effect of immigration is to enlarge the economy, with relatively small costs and benefits for the incomes of the resident population.

The economic impacts of immigration depend critically on the skills of immigrants. Different types of immigrant can have very different impacts on the economy. The issue is not whether immigration is needed but what level and type of immigration is desirable. In this context, net immigration from the EU—which we expect to remain positive—cannot be controlled. The question then is whether additional immigration from elsewhere carries benefits or disadvantages.

Many businesses and public services at present make use of the skills and hard work of immigrants. But this is not an argument for immigration on a scale which exceeds emigration and thus increases the population of the country. 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. Vacancies are, to a certain extent, a sign of a healthy economy. Immigration increases the size of the economy and overall labour demand, thus creating new vacancies. As a result, immigration is unlikely to be an effective tool for reducing vacancies other than in the short term.

We also question the Government's claim that immigration has generated fiscal benefits. Estimates of the fiscal impacts are critically dependent on who counts as an immigrant (or as a descendant 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.

Rising population density has potentially important economic consequences for the resident population, including impacts on housing, as well as wider welfare effects, especially in parts of England where immigrants are most concentrated. Although immigration is only one of a number of factors affecting the demand for housing, it does exert a significant impact on the housing market in particular areas. Some of the wider impacts from rising population are hard to measure and highly regional. Some, such as the impact of increasing population density on the cost and speed of implementation of public infrastructure projects, remain poorly understood.

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 as people live longer 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.

There are significant unknowns and uncertainties in the existing data on immigration and immigrants in the UK. There are insufficient data about people leaving the UK and about short-term immigration to the UK. Existing data do not allow for accurate measurement of the stock of immigrants at national, regional and local levels. Inevitably, even less is known about the scale of illegal immigration and illegal employment of immigrants. The gaps in migration data create significant difficulties for the analysis and public debate of immigration, the conduct of monetary policy, the provision of public services and a wide range of other public policies.

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. Here non-economic considerations such as impacts on cultural diversity and social cohesion will be important, but these are outside the scope of our inquiry.

Against this background, we have identified the following priorities for Government action. The Government should:

- improve radically the present entirely inadequate migration statistics;
- review its immigration policies and then explain, on the basis of firm evidence on the economic and other impacts, the reasons for and objectives of the policies, and how they relate to other policy objectives such as improving the skills of the domestic workforce;
- better enforce the minimum wage and other statutory employment conditions, with effective action taken against employers who illegally employ immigrants or who provide employment terms which do not meet minimum standards;
- clarify the objectives and implications of the new, partially points-based immigration system. It is far from clear that the new arrangements will in fact constitute the radical overhaul of the present system suggested by the Government;
- monitor immigration by publishing periodic Immigration Reports giving details of the numbers and characteristics of non-EEA nationals entering the UK under each Tier of the new system;
- give further consideration to which channels of immigration should lead to settlement and citizenship and which ones should be strictly temporary;
- review the implications of its projection that overall net immigration in future years will be around 190,000 people. The Government should have an explicit and reasoned indicative target range for net immigration and adjust its immigration policies in line with that broad objective.

The Economic Impact of Immigration

CHAPTER 1: INTRODUCTION

The UK's immigration debate

1. Immigration has become one of the biggest public policy issues in the UK. Net immigration—defined as immigration minus emigration from the UK—of non-British persons trebled from less than 100,000 per year in the early 1990s to over 300,000 in 2006, reaching a scale unprecedented in our history.¹ Over the same period, the share of adults who considered “immigration and race relations” as the most important issue facing Britain increased from less than 5% to over 40% (see Appendix 4).² For most of 2006 and 2007, immigration was the number one issue of concern to the British public, more important than law and order, the National Health Service (NHS) and international terrorism.³
2. Net immigration, rather than natural change (births minus deaths), has been the main driver of UK population growth since the early 1990s (see Appendix 5). The UK population is now projected to grow from 60.6 million in 2006 to 71 million in 2031. More than two thirds of this growth is attributable, directly or indirectly,⁴ to future net immigration.⁵
3. Given the long-term demographic impacts of, and rising public concern about, the rapid increase in immigration, there is a need for a comprehensive debate about the economic, social and cultural impacts of immigration. Consideration of the economic impacts, with which this report is concerned, must include a critical assessment of the Government's economic case for immigration which has been largely based on three arguments: (i) immigration generates large economic benefits for the UK because it increases economic growth; (ii) immigrants are needed to fill labour and skills shortages and do the jobs that British workers will not do; and (iii) immigration generates fiscal benefits for the UK. The Government's highly positive assessment of the economic impact of immigration on the UK contrasts with the more mixed views of the public. About 37% of the public agree that “immigration is good for the British economy”, but 40% disagree. A quarter of the public think that “we need more immigrants to do the jobs that British people don't want to do”, but half do not think so.⁶

¹ ONS, Total International Migration (TIM) Tables, 1991–2006

² Ipsos MORI 2007a, <http://www.ipsos-mori.com/polls/trends/issues.shtml#2007>

³ Ipsos MORI 2007b, http://www.homeoffice.gov.uk/documents/moripolls0607/BIA_6_monthly_Topline_Resul1.pdf?view=Binary This new survey asks, for the first time, specifically about “immigration” rather than about “immigration and race relations” in general.

⁴ Net immigration impacts on population growth directly by increasing the number of people, and indirectly through its impact on fertility rates.

⁵ GAD, Migration and Population Growth, http://www.gad.gov.uk/Demography_Data/Population/2004/methodology/mignote.asp, accessed on 10 Feb 2008

⁶ Source: Ipsos Mori poll of 1,000 adults aged 16+ in Britain, May–June 2007, available at the Home Office website

Objectives and key issues

4. This report addresses key questions about the economic impacts of immigration on the resident population in the UK. To be as transparent as possible in what has often been a fairly confused debate, it is important to clarify at the outset some basic definitions and the scope of the inquiry. For the purpose of this report, “economic impacts” are defined broadly to include impacts on public services and economic consequences of rising population density, but the report does not discuss the impacts of immigration on cultural diversity and social cohesion⁷ (although there may be associated economic impacts). “Immigrants” are defined as foreign-born persons or, where data for foreign born are not available, as foreign nationals (that is, persons without British citizenship). The term “resident population” is meant to indicate a focus (although not an exclusive one) on the impacts of immigration on the pre-existing population (that is, on the population residing in the UK before the arrival of new immigrants) rather than on immigrants or their countries of origin. Finally, the report focuses on the impacts of immigration for the UK as a whole, although some regional differences—important both in terms of the number and impacts of immigrants—are highlighted.
5. The choice of questions addressed in this report reflects the key themes in Britain’s growing immigration debate as well as the arguments made by Government over the past ten years:
 - What do we know about the scale, characteristics and demographic impacts of recent immigration? (chapter 2)
 - How does immigration impact on the incomes and living standards of the resident population? (chapter 3)
 - Is there a need for immigrant workers to fill labour and skills shortages? (chapter 4)
 - Does immigration generate fiscal benefits for the UK? (chapter 5)
 - What are the economic impacts of rising population density? (chapter 6)
 - What conclusions do we draw for the UK’s immigration policies? (chapter 7)
6. The discussion of these issues is based on a critical review of existing theories and evidence rather than on new data and research. The inquiry has generated more than 70 pieces of written evidence, and another 35 pieces of oral evidence, from a wide range of people and institutions in and outside the UK, including academics, think tanks, employers associations, trades unions, NGOs, local government and government departments across the UK.⁸
7. A recurring theme of our inquiry, highlighted at various points in this report, is the serious inadequacy of the existing data on immigration, emigration and the stock of immigrants in the UK. The lack of reliable and more complete data makes it very difficult to assess the scale, characteristics and impacts of immigration.

⁷ The impact of migration on community cohesion is currently the subject of a separate inquiry by the Communities and Local Government Committee of The House of Commons. See: http://www.parliament.uk/parliamentary_committees/clg/clgsubccm_200708.cfm

⁸ The evidence is available in volume II of this report, HL 82-II

8. While our inquiry has assessed the overall economic impact of immigration, it is important to bear in mind that as a member of the European Union, the UK cannot regulate the number or selection of nationals of the European Economic Area (EEA)⁹ entering the country. Most EEA nationals also have the automatic right to work in the UK. Asylum seekers have rights to humanitarian protection in the UK by virtue of international human rights treaties. This leaves as the major area of discretionary policy the entry of non-EEA nationals other than asylum seekers. When such nationals come to reside here, they have the right to bring their families with them. We do not discuss what these rights should be, but when considering the entry of foreign workers allowance must also be made for the fact that many of them will bring families with them. The economic impact on the resident population should be a central criterion for regulating the immigration and employment of these non-EEA, non-asylum seekers wishing to come here.

⁹ EU 27 and Iceland, Liechtenstein and Norway

CHAPTER 2: KEY FEATURES OF IMMIGRATION AND IMMIGRANTS IN THE UK

9. This chapter reviews key features of the scale, characteristics and demographic impacts of recent migration to the UK. Although necessary to understand the economic impacts of immigration, the discussion comes with a strong health warning: the existing data about gross and net immigration flows to the UK, and about the stock of immigrants in the UK, are seriously inadequate. The National Statistician, Karen Durnell, told us that “there is now broad recognition that available estimates of migrant numbers are inadequate to meet all the purposes for which they are now required. They are the weakest component in population estimates and projections in the United Kingdom, both nationally and at local level” (p 35). The Statistics Commission, which monitors official figures, described the available statistical information on immigration as “weak” (p 505).
10. Among the numerous reasons for the inadequacy of the current data, four stand out. First, there are insufficient data about people leaving the UK. The available annual emigration estimates are based on annual samples of fewer than 1,000 migrants leaving the UK. Second, very few data exist on short-term migration to the UK. The available data on gross and net immigration flows include only those immigrants who say they intend to stay for longer than 12 months (defined by the Office for National Statistics (ONS) as “long-term migrants”). The ONS has only very recently started to publish experimental data on short-term migration.¹⁰
11. Third, existing data do not allow for an accurate measurement of the stock of immigrants at national, regional and local levels. Labour Force Survey (LFS) data, the main source of data for measuring the annual stock of immigrants in the UK, exclude people who have lived in the UK for less than six months. People who do not live in households, such as those in hostels, caravan parks and other communal establishments, are also excluded. Councils across the country, but especially in the south of England, claim that the current data on the numbers of immigrants in their areas are significant under-estimates. In their evidence to us, Hammersmith and Fulham Council described the latest ONS revisions as “plainly wrong” (p 470), while Slough Council declared that the official methodology is “not fit for purpose” (p 273).
12. Fourth, as is the case in most immigration countries, we know very little about the scale of illegal immigration and illegal employment of immigrants in the UK. According to Home Office estimates, there were about 430,000 migrants residing illegally in the UK in 2001. This estimate comes with a number of caveats. Describing the difficulties with measuring illegal immigration, Professor John Salt of University College London told us that “no country in the world knows how many people there are who are living or working illegally, with the probable exception of Australia where they count everybody in and they count everybody out” (Q 599). Dr Bridget Anderson of Oxford University’s Centre on Migration, Policy and Society, pointed out that the Home Office estimate excludes immigrants who are residing in the UK legally but breaching the conditions (including any employment

¹⁰ Research report on short-term migration, ONS, October 2007 available at: http://www.statistics.gov.uk/about/data/methodology/specific/population/future/imps/updates/downloads/STM_Research_Report.pdf

restrictions) attached to their immigration status, a situation Dr Anderson described as “semi-compliance” (Q 223). For example, some immigrants on student visas work more than the 20 hours legally allowed during term time (Q 223). It can be extremely difficult and contentious, in practice, to define and draw a clear line between “legal” and “illegal” in the employment of immigrants.

Past and future net immigration and population growth

13. Between 2001 and 2006, the UK population grew by 2.5% (about one and a half million people in total), which is the fastest rate of growth since the first half of the 1960s when the birth rate was much higher than today.¹¹ Most of the recent population growth has been driven by rising net immigration of foreign nationals (see Table 1 and Figure 1). There has also been a long term trend of net emigration of British nationals from the UK. During the period 2001–06, total net immigration accounted for almost two thirds of the UK’s population growth (see Appendix 5).¹² This figure does not take account of the positive impact of immigration on fertility rates which, if included, would make the role of net immigration in accounting for population growth even bigger. According to the Home Office, in both 2002 and 2005, the fertility rates of foreign-born mothers (2.3 and 2.5, respectively) were 0.8 higher than that of UK-born mothers (1.5 and 1.7) (p 47).

TABLE 1

Average annual migration 1997–2006 (Thousands)

	Non-British	British	Total
Gross Immigration	391	98	489
Gross Emigration	158	170	327
Net Immigration*	234	-72	162

Source: ONS Total International Migration (TIM) tables

Notes: Net Immigration and Total figures do not add up exactly due to rounding errors.

* A positive number indicates net immigration; a negative number shows net emigration

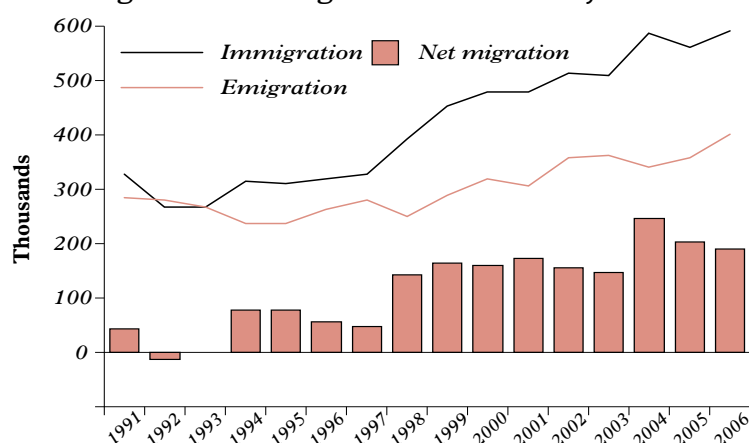
14. The rise in net immigration has increased the share of foreign-born persons in the UK population. Foreign-born persons currently account for about 10% of the population (and about 12% of the working-age population aged 16–64), up from just over 6% in 1981 and just over 8% in 2001. Appendix 6 shows that the current proportion of foreign-born persons in the population in the UK is still significantly smaller than in Australia (24%), Switzerland (23%), and Canada (19%) and just under those in the United States (13%), Ireland (11%) and the Netherlands (11%). However, it is higher than in France (8%) and Denmark (7%).

¹¹ ONS 2007, Population Trends, Winter 2007, p.10, Table 1 and note from ONS covering the population each year in the 1960s. One has to go back to 1961–66—when the population rose 3.5%—to find a faster five-year period of population growth than 2001–06.

¹² ONS 2007, Population Trends, Winter 2007, p.53, Table 1.6

FIGURE 1

Total long-term immigration to the UK, 1991 to 2006



Source: Total International Migration estimates, ONS

15. Table 2 below, based on data from the Labour Force Survey, shows the share of all immigrants and new immigrants (defined as those who entered the UK up to two years ago) in the UK's working-age population by country of birth. In 2006, the largest numbers of immigrants were born in Africa and the Middle East (3% of the working-age population) and the Indian sub-continent (2.5%). Those born in the A8 countries—Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia—made up less than 1% of the working age population, just over 7% of the total immigrant population of working age. However, A8 immigrants account for one in three of new immigrants since 2004 (Bank of England p 394).

TABLE 2

Share of immigrants in the working age population (aged 16–64) by country of birth

	All Immigrants			New Immigrants		
	2006	1995	Change (pp)	2006	1995	Change (pp)
Per cent of population (of which)	12.00	8.16	3.84	1.29	0.52	0.77
A8	0.87	0.10	0.77	0.40	0.02	0.38
Africa & Middle East	2.97	1.64	1.34	0.21	0.10	0.11
Indian Sub-Continent	2.52	1.85	0.67	0.17	0.16	0.11
EU14	2.10	2.23	-0.14	0.17	0.14	0.03
Americas	1.25	1.00	0.25	0.12	0.07	0.05
Rest of Asia	1.07	0.63	0.43	0.10	0.07	0.04
Rest of Europe	0.82	0.46	0.36	0.07	0.04	0.03
Australia & NZ	0.39	0.24	0.15	0.05	0.03	0.01

Notes:

Based on individuals aged 16–64.

'New' immigrants are those who entered the UK in the survey year or the (calendar) year before the survey was carried out.

Country of birth data by all A8 countries are only available from 1998. For 1995, Poland, Hungary and Czechoslovakia (which account for 80% of those in the A8) are used to proxy the A8.

Rest of Europe includes countries not in the EU15 and A8.

pp =percentage points

Source: Bank of England (p.2) based on data from LFS.

Projections

16. Under the principal variant of the most recent (2006-based) population projections of the Government Actuary's Department (GAD), the UK population is expected to grow from 60.6 million in 2006, to 71 million in 2031 and 85 million in 2081 (Table 3 and Appendix 7 show the latest projections). That is equivalent to an annual growth rate of 0.6% during the period 2006–2031, which is faster than the 0.5% per year growth experienced from 2001 to 2006. Just under half of the projected UK population growth during the period 2006–2031 is from net immigration. The remaining half is accounted for by natural increase—births in excess of deaths—of which 31% would occur in the absence of immigration and 23% arises from the positive effect of net immigration on natural change. GAD thus concludes that, in total, 69% of the UK's population growth during 2006–2031 in the principal projection is attributable, directly or indirectly, to future net-migration.¹³
17. In the long term, all of the projected growth in the UK population is attributable to net immigration. If there was no migration (that is, zero immigration and zero emigration), the projected population in 2081 would be 3.3 million lower than in 2006. Professor Robert Rowthorn of Cambridge University calculated that, with zero net immigration or “balanced migration” (i.e. when immigration equals emigration), the population would be 3.7 million higher by 2081 (p 27). Balanced migration increases population growth because immigrants are, on average, younger than emigrants and are thus more likely to have children (p 2).

TABLE 3

Projected changes in UK population, 2006–2081 (millions)

	Assumed net immigration	Population projections			
		2006	2031	2056	2081
High Migration	0.250	60.6	73	82.8	91.9
Principal Projection	0.190	60.6	71.1	78.6	85.3
Low Migration	0.130	60.6	69.2	74.3	78.6
Balanced Migration	0	60.6	65.1	65.2	64.3
No migration (natural change only)	0	60.6	63.8	61.5	57.3

Source: Government Actuary's Department (GAD 2007), 2006-based projection database; except for “balanced migration” which is taken from written evidence by Robert Rowthorn (p 27).

18. Projecting future population growth depends critically on the underlying assumptions about future natural change (births minus deaths) and future net immigration. The estimates for future net immigration are projections based on past trends rather than results of forecasting models. Consequently, GAD's projections of net immigration, natural change and population growth involve a high degree of uncertainty. GAD's assumptions about future long-term net immigration changed three times over the past five years

¹³ GAD, Migration and Population Growth, http://www.gad.gov.uk/Demography_Data/Population/2006/methodology/mignote.asp

(130,000 per year in 2003-based projections; 145,000 in 2004-based; 190,000 in 2006-based).

19. Net immigration is extremely difficult to predict because of the complexity and variability of its determinants. The scale and patterns of immigration are determined by a range of economic, social and political factors. These include differences in economic conditions (e.g. wages and unemployment) and life satisfaction between the UK and other countries; employer demand for immigrant labour in the UK; national and international recruitment agencies that help connect employers in the UK with immigrants abroad and/or already in the UK; immigrant networks (immigrants' contacts with family and friends abroad and in the UK); and government policy in the UK and other immigration countries. The increase in immigration since the late 1990s was significantly influenced by the Government's Managed Migration policies. These encouraged labour immigration through, first, an expansion of the work permit system (the annual number of work permits issued to non-EEA nationals increased from fewer than 30,000 in the mid 1990s to an annual average of over 80,000 in the early 2000s),¹⁴ and then the decision to grant nationals of the A8 countries immediate free access to the British labour market when their countries joined the European Union in May 2004 (over 750,000 A8 nationals registered for employment in the UK during May 2004–December 2007).¹⁵ The much larger than expected immigration of A8 workers since May 2004 is a good example of the difficulties in predicting and measuring migration flows and migrant stocks in the UK (see Appendix 9).
20. The development of future immigration, including from Eastern Europe, is uncertain. On the one hand, net immigration may decline due to a slowdown in the British economy, economic growth in the A8 countries and the opening up to A8 workers of other EU countries' labour markets, most notably Germany and Austria, in the coming years. Professor Rowthorn told us that the experience of Irish immigrants into the UK showed that if the economy of the sending country “develops dramatically then emigration flows dry up—in fact they may go into reverse” (Q 12). He added that A8 immigration “might take 10 or 15 years to tail off but my guess is that the net flows will tail off and probably ... faster than people think” (Q 32).
21. On the other hand, we received evidence from Professor David Blanchflower, an external member of the Monetary Policy Committee (MPC), and from the Institute of Directors, that the experience of other countries has shown that immigrant networks may perpetuate immigration even when the economic factors that triggered immigration in the first place, such as large differences in the standard of living between migrant sending and receiving countries, decline¹⁶ (Blanchflower p 197–198). Referring to immigration in general, rather than immigration from Eastern Europe in particular, Mr Martin Wolf of the Financial Times said he “would be extremely surprised if the demand from immigrants to come into this country ... did not remain pretty strong”. This was based on the “extraordinarily large” number of people gaining an education throughout the world and the fact that Britain is an attractive destination due to its relatively high income and the fact that it speaks English (Q 399). Dr Bridget Anderson also emphasized

¹⁴ See Appendix 11.

¹⁵ Home Office 2008, Accession Monitoring Report May 2004–December 2007

¹⁶ Institute of Directors, Immigration: a business perspective (January 2007), p 12

the importance of learning English and to “have fun” as a key factor that motivates young East Europeans to migrate to the UK (Q 213).

Key features of recent migration to the UK

22. Immigration to the UK has been highly concentrated in London while the rest of the South East, as well as Yorkshire and Humber, have also attracted large shares relative to the rest of the country. Recent immigration, however, has been more widely distributed across the UK with a still substantial but much smaller proportion of net immigration in London. As shown in Table 4, the areas mentioned above accounted for almost three quarters of international net immigration to the UK during the period 1991–2006 but just under 60% of net immigration in 2004–2006. London has seen the biggest change with more than half of net immigration in 1991–2006 and 36% in 2004–06. The recent change has been mainly due to the arrival of Eastern European migrants who have been much more widely distributed across the UK than other migrant groups. Between May 2004 and December 2007, Anglia had the greatest number of A8 workers registering with employers in the area (15% of the total), followed by the Midlands (13%) and London (12%).¹⁷

TABLE 4

Total international net immigration by region, 1991–2006

	1991–2006		2004–2006	
	Thousands	%	Thousands	%
England	+1,854	99.7%	+598	93.6%
London	+989	53.2%	+230	36.0%
South East	+200	10.8%	+64	10.0%
Yorkshire and Humber	+182	9.8%	+80	12.5%
Rest of England	+483	26.0%	+224	35.1%
Wales	+27	1.5%	+7	1.1%
Scotland	–2	–0.1%	+26	4.1%
Total UK*	+1,860	100.0%	+639	100%

International net immigration refers to all net immigration from outside the UK (including that of British nationals)

**Figures for Northern Ireland are currently being revised. They are included in the total for the UK but not reported separately.*

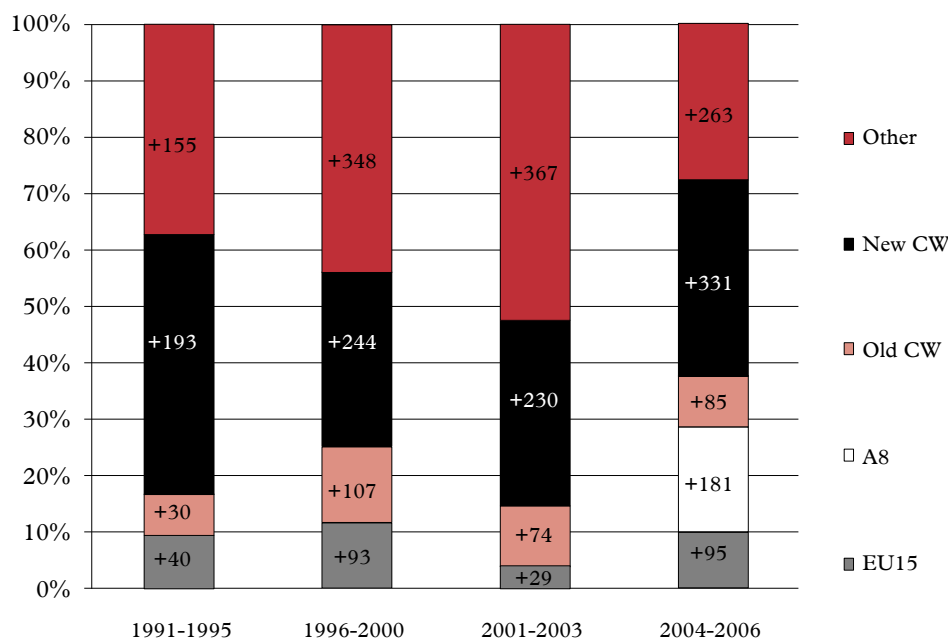
Source: ONS, Total International Migration (TIM) tables, 1991–2006

23. Between 1995 and 2006, two-thirds of the growth in the foreign-born population of working age was of people born in Africa and Asia (see Table 2). In the last few years there has been a large additional net inflow from the EU, which accounted for just under a third of all net immigration in 2004–06, including 19% from the A8 countries. Figure 2 shows the changes in the pattern of net immigration since the early 1990s.

¹⁷ Home Office 2008, Accession Monitoring Report, May 2004–December 2007, p. 17

FIGURE 2

Scale and composition of foreign net immigration to the UK by nationality, 1991–2006 (thousands and %)



EU15: the fifteen EU member states before EU enlargement in 2004

A8: the eight East European countries that joined the EU in 2004

Old Commonwealth (Old CW): Canada, Australia, New Zealand and South Africa

New Commonwealth (New CW): all other Commonwealth countries

Source: ONS, Total International Migration (TIM) tables, 1991-2006

24. The economic impact of immigration depends partly on immigrants' length of stay in the UK. Among new immigrants in 2005, 44% said they intended to stay for 1–2 years (up from 35% in 1996), followed by 19% who said they intended to stay for 3–4 years, and 30% more than 4 years (down from 39% in 1996).¹⁸ Among A8 workers registering for employment in the 12 months to September 2007, 62% said they intended to stay for less than one year (including 57% saying that they would stay for less than three months).¹⁹ As intentions may change, these data cannot be considered reliable indicators of immigrants' likely degree of permanency and length of stay in the UK. Recent research on Eastern Europeans suggests that, over time, a significant share of immigrants change their intentions from a short-term to a longer-term or permanent stay in the UK.²⁰ Another recent paper found significant variation in return propensities across immigrants from different origin countries and of different ethnicity.²¹ Return migration is significant for immigrants from the EU, the Americas and Australia and New Zealand. In contrast, it is much less pronounced for immigrants from the Indian sub-continent and from Africa.

¹⁸ ONS 2007, International Migration, Series MN no.32, Table 2.11, p.17

¹⁹ Home Office 2008, Accession Monitoring Report, May 2004–September 2007, p. 16

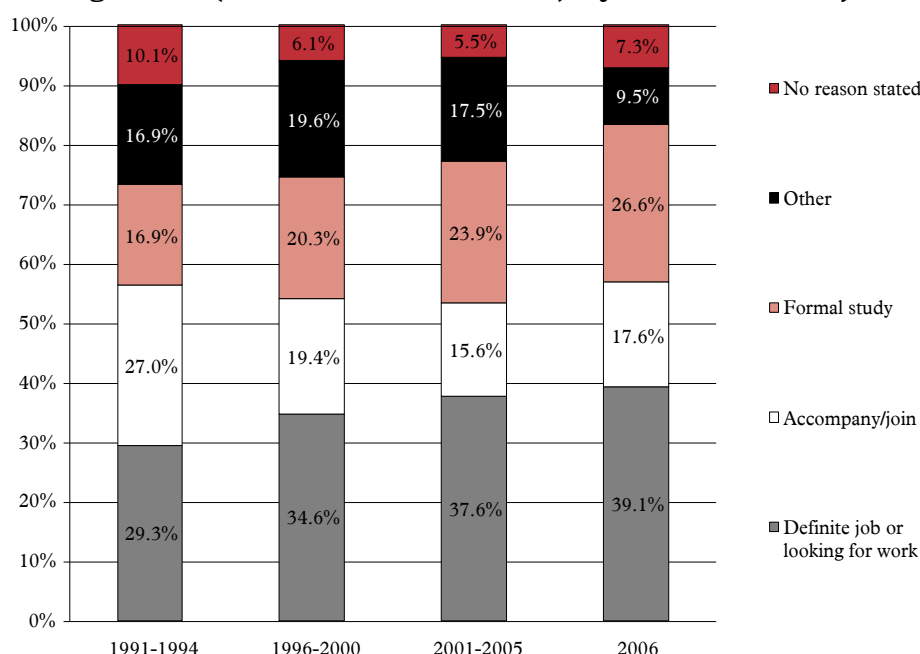
²⁰ Spencer, S., Ruhs, M., Anderson, B. and Rogaly B. (May 2007), *Migrants' lives beyond the workplace: The experiences of East and Central Europeans in the UK*, Joseph Rowntree Foundation, London

²¹ Dustmann, C. And Y. Weiss (2007), *Return Migration: Theory and Empirical Evidence from the UK*, British Journal of Industrial relations 45(2): 236–256

25. Intentions of stay are related to immigrants' reasons for coming to the UK, which are, in turn, often—but not always—reflected in immigrants' immigration status when entering the UK. The ONS provides data on annual immigration by purpose of visit for all persons (including British citizens) who intend to stay for more than 12 months, while the Home Office publishes data on the immigration status of all non-EEA nationals (including those staying for less than 12 months) arriving in the UK. Although both sets of data are incomplete and not always consistent, broad patterns can be identified. In recent years, the main reason for immigration (including that of British nationals) has been work (39% in 2006, one of the highest shares among major OECD countries),²² followed by study (27%) and accompanying/joining family members/partners. Compared to the early 1990s, the shares of work-related immigration and immigration for studying in the UK have each increased by about 10%, while the share of family immigration and immigration for other reasons declined (see Figure 3).

FIGURE 3

All immigration (incl. British nationals) by reason of visit, 1991–2006



Source: ONS, *Total International Migration (TIM) tables, 1991-2006*

26. Among non-EEA nationals, whose immigration the UK can control, Home Office data suggest that students have been the biggest group in recent years (309,000 in 2006), followed by work-related migrants (about 167,000) and family members/dependants (about 118,000).²³
27. The existing data about emigration from the UK, based on the International Passenger Survey, do not contain any information about the leaving person's legal (immigration) status in the UK. So it is impossible to describe the composition of the current immigrant population in the UK by its immigration status. Professor David Coleman of Oxford University explained: "The International Passenger Survey ... was invented back in the

²² OECD (2007), *International Migration Outlook 2006*

²³ Home Office, *Control of Immigration Statistics 2006*, Table 2.2, p.33

1960s as an instrument for the Board of Trade for balance of trade, tourism and things of that kind. It is only incidentally used to measure migration. It does so by using a small fraction of its interviews ... to take a voluntary sample of those coming in, about 1,800 a year, and those going out, about 800 a year or thereabouts. Those are then grossed up to make migration assumptions from different categories of people by age, marital status, country of origin, nationality and all the rest of it. That is intrinsically unsatisfactory because it is voluntary and it is quite a small sample survey” (Q 268).

28. Immigration status is important to the analysis of the economic impacts of immigration because it determines an immigrant’s rights in the UK, including rights in the labour market, access to welfare benefits and rights to family-reunion, and rights to stay permanently in the UK and acquire British citizenship. As shown in Appendix 8, different types of immigration status are associated with different rights and restrictions. For example, unless they are highly skilled, immigrants holding work permits may only work for the employer specified on the permit. In contrast, EEA nationals and non-EEA nationals with permanent residence status in the UK have complete freedom of employment in the UK. Immigrants employed on low-skilled work permits do not have rights to family reunion, but those on skilled and highly skilled permits do. Access to welfare benefits, such as jobseekers’ allowance, varies across different types of status.

A profile of immigrant workers in the UK

29. Labour Force Survey data for 2006 suggest that the three most popular sectors for foreign-born workers in the UK are public administration, education and health (32%), distribution, hotels and restaurants (21%) and banking, finance and insurance (20%). Among A8 immigrants, the top sectors are distribution, hotels and restaurants (24%), manufacturing (21%) and construction (14%). (ONS p50) In some sectors and regions, the share of immigrants is much higher.
30. The submission from the Bank of England showed that, although employed across all occupations, immigrants are concentrated at the high and low skill end of the occupation distribution (p 401). The City of London illustrates this range of occupations, where immigrants are widely found among the staff of the restaurants serving financial executives, many of whom are also immigrants. Overall, more foreign-born workers are in highly-skilled jobs than the UK-born (49% vs 42%), with similar levels for elementary occupations (12% vs 11%). But A8 immigrants are more concentrated in low-skilled jobs, with 38% in elementary occupations and only 13% in higher skilled occupations (ONS p 51). Dr Drinkwater of Surrey University and Professor Blanchflower told us that, for recent A8 immigrants, there is a significant mismatch between their education/skills and their employment in the UK (Q 235; Q 319)
31. Measuring immigrants’ skills and educational qualifications is difficult because few qualifications obtained abroad are directly comparable to British ones. Analysis of the age at which people left full-time education—over 21s are assumed to have a degree, and those who left school aged 16–20 are assumed to have completed secondary school—indicates that immigrants are generally more skilled than UK-born persons. Labour Force Survey data suggest that 66% of the UK-born population have only completed secondary

school while 17% have a degree. A smaller fraction (51%) of migrants have only secondary school qualifications and a greater fraction (37%) have degrees (Bank of England p 394).

32. Data from the LFS show that among new immigrants (those arrived up to two years ago), the proportion of persons with degrees is particularly high (46%) and the proportion of persons with only secondary schooling particularly low (48%), compared to the UK-born population (Bank of England, p 395). Dr Drinkwater noted that Poles appear to be higher educated than other recent migrants from the A8 countries (p 136).
33. There is very large variation in the labour market outcomes, including employment rates and earnings, across and within different migrant groups. Average figures for immigrants' employment rates and earnings conceal significant differences between the labour market outcomes of different types of immigrants, especially between low-, medium- and high-skilled workers, but also between men and women.²⁴
34. The overall employment rate of immigrants (68%) is lower than that of UK-born persons (about 75%), but the gap has been declining in recent years.
35. The employment rate of A8 immigrants is over 80%, while that of immigrants born in Bangladesh is only around 50% (Bangladeshi women have an employment rate of about 19%) (ONS p 331). When employed, the average immigrant worker worked one and a half hours per week more in 2006 than the average individual born in the UK (Bank of England, p 395).
36. The average earnings of immigrants have been higher than that of UK-born persons since the early 1990s but the gap has been declining in recent years. In 2006, the average hourly wage of all immigrants was £11.90 compared to £11.50 for UK-born workers. The earnings gap is partly explained by the fact that immigrants are more likely than UK-born persons to live in London where hourly rates are higher than in the rest of the UK. The recent decline is partly due to the low average rates at which new immigrants are employed in the UK (£9 per hour in 2006) (Bank of England, p 397). Dr Drinkwater noted that average earnings of Eastern Europeans have been particularly low, with recently arrived Poles earning an average of £6 per hour during 2003–2006 (p 136), and also that the vast majority of recent A8 immigrants have been employed in low-paying jobs at around the minimum wage (p 136).
37. The determinants of immigrants' earnings in the UK include proficiency in English language skills, work experience, education, ethnicity, agency working²⁵ and length of time spent in the UK. (Drinkwater and Anderson Q 226–228).²⁶ Immigration status is likely to matter but, on its own, illegal working by immigrants does not necessarily translate into lower wages. (Anderson Q 225).

²⁴ For a more detailed discussion of the variation in labour market outcomes across different migrant groups, see IPPR 2007, Britain's Immigrants: an economic profile.

²⁵ The wages of workers (all workers not just immigrants) employed by agencies ("employment businesses") are typically lower than those of workers directly employed by businesses producing goods or providing services (Hadley Q 150). Also see Anderson et al (2004). The TUC argues that since agency workers enjoy fewer employment rights than other temporary or permanent workers, they may be vulnerable to employment under low wages and sub-standard working conditions (see TUC 2007, 2006).

²⁶ For a recent analysis of the characteristics and labour market outcome of migrants in the British labour market based on Labour Force Survey data, see, for example, Dustmann and Fabbri (2005) "Immigrants in the British Labour Market", *Fiscal Studies*, vol.26, no.4, pp.423–470, 2005

38. **Government policy can help immigrants raise their productivity and outcomes in the British labour market. In particular, given that language proficiency can be a key factor to economic success in the British labour market²⁷, the Government should consider whether further steps are needed to help give immigrants who come and take up employment in the UK access to English language training.**

Improving data on immigration and migrants

39. **There is a clear and urgent need to improve the data and information about gross and net migration flows to and from the UK, and about the size, geographical distribution and characteristics of the immigrant stock.** The inadequacies of the current data create a number of problems. They reduce the efficiency of the allocation of government resources to local councils that provide public services across the UK. The Statistics Commission pointed out that “some £100 billion a year is being distributed through formulae that are directly affected by migration estimates” (p 506). Problems with migration data led Mervyn King, Governor of the Bank of England, to tell the Committee in 2006: “We just do not know how big the population of the United Kingdom is.”²⁸ This makes it difficult for the Monetary Policy Committee (MPC) to assess potential output, predict inflation and set interest rates. Professor Stephen Nickell, a former member of the MPC, said that “we [the MPC] used to worry about this quite a lot”, although “I do not think we made mistakes because of in-migration” (Q 45, 48). More generally, inaccurate data on migration have obvious adverse impacts on the empirical analysis of the scale and impacts of immigration and population growth.
40. A series of measures—outlined in an inter-departmental report published in December 2006²⁹—have been proposed to improve migration data and statistics. They include: increasing sample sizes in surveys; collecting more data from migrants through landing cards; the partial points-based system being introduced this year (see Appendix 12) and the e-Borders project (which includes passport scanning) currently being developed; creating better links between the various data sources that are already used; and improving statistical and demographic models. The ONS also started issuing “experimental” short-term migration estimates in October 2007. Karen Dunnell, the National Statistician, suggested to us that data held by local authorities could improve migration statistics (Q 68).
41. It is too early to assess the effectiveness of the Government’s measures to improve migration statistics, some of which will take many years to implement. It is still unclear, for example, whether adequate funding is being made available to implement the recommendations made by the inter-departmental taskforce on migration. Procurement for the e-Borders programme, which is meant to record electronically all arrivals and departures, is now under way, and the success of the programme will obviously depend on effective implementation of the technology. The

²⁷ Research suggests that that language proficiency is lowest among those groups that exhibit the largest disadvantages in the labour market, and that language is an important determinant for economic success. See Dustmann and Fabbri (2003)

²⁸ Economic Affairs Committee, 1st Report (2006–07), *The Current State of Monetary Policy (HL 14)*, 6

²⁹ ONS, Report of the Inter-departmental Task Force on Migration Statistics, December 15, 2006

Statistics Commission noted that there has been reluctance on the part of some government departments to develop and share data on migration (p 507). Moreover, linking administrative databases held by different government departments can be difficult because of data protection and privacy issues as well as running the risk of losing data “in transit”—as the recent loss of a large amount of personal data related to child benefits has illustrated. The main challenge in using data provided by local councils is to get all councils to implement a uniform method for collecting and reporting data on migration. However, councils appear to be reluctant to commit the resources to introduce such uniform methods (LGA Q 446).

42. Professor David Coleman and Professor John Salt of University College London both suggested that new ways and a “step change” of collecting data on migration and migrants are necessary, as “the instruments which the ONS has at its disposal are really at the end of their useful life” (Coleman Q 268) and “we have pushed existing data as far as we can” (Salt Q 605). Professors Salt and Coleman both proposed that the Government should consider setting up a population register, divided into a register for citizens and non-citizens.
43. **It is unrealistic to expect that the Government can have complete data on migration. The key questions are how, by how much, and at what cost, the current gaps in the available data can be reduced. But clearly there is ample room for improvement in UK migration statistics. The Government should make a clear commitment to improving migration statistics and facilitating more comprehensive assessments of the scale, characteristics and impacts of immigration.**

CHAPTER 3: IMPACTS ON THE LABOUR MARKET AND MACRO-ECONOMY

44. The Government, business organisations and many others argue that immigration creates significant economic benefits for the UK. In a major speech on immigration in December 2007, the Home Secretary, Jacqui Smith MP, spoke of the “purity of the macroeconomic case for migration”.³⁰ Making a similar point, the Immigration Minister, Liam Byrne MP, recently said that “there are obviously enormous economic benefits of immigration ... There is a big positive impact on the economy which is worth about £6 billion”.³¹ The £6 billion figure is based on calculations by the Treasury, which also suggest, as the Government frequently points out, that immigration contributed about 15–20% to output growth during the period 2001–2006 (Home Office, p 319).
45. The CBI and Business for New Europe (BNE) endorsed the Government’s highly positive assessment, emphasizing that immigration has been of “great economic benefit” to the economy (p 97, p 417). The Institute for Public Policy Research (IPPR) suggested that increased diversity brings “huge economic benefits” (Q 492). The assessment of the Trades Union Congress (TUC) was also positive though more cautious: “Overall, immigration has been good for this country. We have more jobs, higher wages, better services and lower taxes than we would have had without immigration ... it is important not to overstate these benefits ... but it is not negligible either” (p 124).
46. Given its widespread support and centrality in the Government’s case for immigration, it is important to scrutinize the economic logic and available evidence underlying the claim that immigration creates significant economic benefits for the UK. This must begin with clarity about whose impacts the analysis should focus on and about what yardstick to use to measure the economic effects of immigration. Broadly speaking, international migration has economic and other consequences for three groups of people: residents in the migrant-receiving country, residents in the migrant-sending country, and migrants themselves.
47. The biggest beneficiaries from international migration are migrants themselves, as employment in higher-income countries enables them to earn higher wages and incomes than in their home countries. Immigrants’ families and, in some cases, the economies of their countries of origin may also benefit. However, the economic impacts of emigration remain disputed, largely because the negative effects of the brain drain need to be balanced against the potentially beneficial effects of remittances.³²
48. **Immigration creates significant benefits for immigrants and their families, and, in some cases, also for immigrants’ countries of origin.** Although these effects may be given some consideration in the design of UK

³⁰ Shared protections, shared values: next steps on migration, speech by the Home Secretary, Jacqui Smith MP, at the London School of Economics and Political Science on 5 December 2007.

³¹ Home Affairs Select Committee hearing with Liam Byrne and Lin Homer on November 27, 2007 available at: <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmhaff/123/7112701.htm>

³² A recent report by the International Development Select Committee of the House of Common focused on migration and development, see: <http://www.publications.parliament.uk/pa/cm200304/cmselect/cmintdev/79/79.pdf>

immigration policies, **an objective analysis of the economic impacts of immigration on the UK should focus on the impacts on the resident (or “pre-existing”) population in the UK.** This includes British citizens and non-British long term-residents but excludes new immigrants and their countries of origin.

49. **GDP—which measures the total output created by immigrants and pre-existing residents in the UK—is an irrelevant and misleading measure for the economic impacts of immigration on the resident population. The total size of an economy is not an indicator of prosperity or of residents’ living standards.**
50. **GDP per capita is a better measure than GDP because it takes account of the fact that immigration increases not only GDP but also population. However, even GDP per capita is an imperfect criterion for measuring the economic impacts of immigration on the resident population because it includes the per capita income of immigrants, which may raise or lower GDP per capita through a compositional effect.** A new immigrant with a higher average income than the average resident worker could raise GDP per capita without necessarily changing the average income of the resident population.
51. **Rather than referring to total GDP when discussing the economic impacts of immigration, the Government should focus on the per capita income (as a measure of the standard of living) of the resident population.**
52. The remainder of this section analyses the economic theory and empirical evidence available to assess the economic impacts of immigration on the resident population in the UK.

Impacts of immigration on the resident population in theory

53. Professor Barry Chiswick of the University of Illinois stressed that the economic impacts of immigration critically depend on the characteristics of the immigrants and of the economy of the migrant-receiving country (p 424). Professor Christian Dustmann of University College London noted that the impacts of immigration can vary with and depend on: the skills mix of migrants and the native population; the capital structure of the receiving economy; and whether and how quickly the economy adjusts to immigration through, for example a change in capital, technology, and/or the output mix (QQ 159–161). Most economic analyses of immigration thus distinguish between the impacts of low-skilled and high-skilled immigration, and between short-run and long-run effects.
54. In the short run, it is typically assumed that capital and technology are fixed or at least not fully adjustable, so that the primary effect of immigration is to increase the supply of workers in the economy. In a simple short-run model of the labour market, immigration lowers the wages of local workers who are “substitutes” and compete with immigrants for jobs, and increases the wages of locals whose skills complement those of immigrants. In the short run, immigration also increases the profit of capital owners and employers who benefit from the increased supply of labour.
55. Importantly, immigration creates a positive income effect for the resident population in aggregate only if immigrants are, on average, “different” from existing residents in terms of their skills and human/physical capital.

Moreover, immigration increases the total income of the resident population only if the relative earnings of some residents, that is, those with similar skills and competing with immigrants, decline.³³

56. In the long run, it is assumed that capital and technology may partially or fully adjust to immigration. For example, because immigration increases the returns to capital in the short run, investment is likely to increase in the long run, thereby driving down profit margins. More investment in, for example, machines and equipment, increases the demand for labour to operate the equipment, thus raising wages back towards their pre-immigration rates. Whether and how quickly these adjustments take place is an empirical question. If the economy does adjust significantly or fully, immigration will have little or no impact on the income of the resident population in the long run. If full international capital mobility is assumed, immigration will impact on productivity and incomes only if the skill mix of immigrants remains different from that of resident workers. The more similar immigrants become to resident workers in terms of their skills and employment, the smaller will be their impacts on the incomes of resident workers.
57. Professor Stephen Nickell pointed out that monetary policy plays an important role in responding to any short-term impacts of immigration on wages and/or unemployment. He gave the example of a scenario where there is an inflow of immigrant workers, “initially unemployment goes up, downward pressures on wages, downward pressure on inflation, monetary policy is loosened, some expansion in the economy absorbs the extra workers and at the end the thing [the economy] looks much the same as it did at the beginning except there are more people” (Q 37).
58. Most economists giving evidence to us suggested that the likely long-term effect of immigration is to expand employment and the economy, with small or no impacts on the per capita income of the resident population. This conclusion, and the economic model underlying it, have, however, been criticised because they exclude the possibility of dynamic effects and spillover effects that may arise from, for example, having a bigger economy (that is, a higher GDP), a more diverse society, a greater share of highly skilled and motivated people, a higher population density and more congested living spaces. In theory, such dynamic and/or spillover effects could be positive or negative, that is, they could raise or lower the productivity of the resident population, even in the long run. Economists are divided about the likely existence and direction of the net impacts arising from such effects.
59. Professor Rowthorn argued that a greater population density, urban sprawl and congestion could reduce the productivity of the resident population (p 4).
60. Others, including the Government, insist that there are good reasons to expect significant positive dynamic and spillover effects from immigration. For example, John Elliott, Chief Economist at the Home Office, suggested that: “... in the longer run we will expect more dynamic effects to come into play. We can think of migrants contributing to the productivity of native workers directly through spillover effects. One might imagine a migrant surgeon standing next to a domestic surgeon and them learning from each other” (Q 511).

³³ For more on the theory of the short-run impacts, see Borjas, G. (1995), “The Economic Benefits from Immigration”, *Journal of Economic Perspectives* 9(2): 322.

61. Making a similar point, Jonathan Portes, Chief Economist at the Department of Work and Pensions (DWP), said: “The second effect [of immigration] ... is analogous with the new trade theory which is based on the observation that there are dynamic effects from trade which go beyond those that simply come from the static model of things being either substitutes or complements.” Mr Portes added: “I think we would expect from that theoretical perspective there to be dynamic effects in terms of increased competition, possibly cluster effects” (Q 517).

Empirical evidence for the UK

GDP per capita

62. There has been no empirical research that has analysed the impact of immigration on the per capita income of the resident population in the UK. A few studies have analysed the impact on GDP and GDP per capita. The Home Office submission presents data on the impacts on GDP (+£6 billion in 2006) but does not give any estimates of the impact on GDP per capita. It states that “there is no quantitative evidence available on the impact of immigration on GDP per head” (p 318). It is unclear why the Government has not commissioned research into this issue, especially since the Immigration Minister, Liam Byrne MP, told us, “I personally do think that GDP per capita is the key thing to focus on” (Q 513).³⁴
63. The National Institute of Economic and Social Research (NIESR) estimated that immigration during the period 1998–2005 contributed to a rise in real GDP of about 3%. However, the research by the NIESR also suggests that immigrants during that period made up 3.8% of the population, which suggests that immigration had a slightly negative impact on GDP per capita. However, this GDP estimate captures the effects of an increase in the supply of labour only. It does not take account of the further increase in GDP that would result from an increase in capital. If capital is factored in, this could lead to GDP estimates showing a slightly positive impact on GDP per head.³⁵
64. Using their model of the economy, the NIESR also analysed the impact of projected future A8 immigration. Taking 2005 as the baseline, A8 immigration was found to have a negative impact on GDP per capita in the short run (over the first four years) and a positive but small impact on GDP per capita in the longer run (0.3% higher by 2015). According to the NIESR, the negative effect in the short term is due to a short-term increase in unemployment and the slow adjustment in the capital stock in response to immigration. The long-term positive effect reflects the relatively high proportion of immigrants that are of working age and the increase in the capital stock (p 149).
65. According to the ITEM Club, the impact of the most recent wave of immigration on GDP per capita has been neutral or even slightly negative.³⁶

³⁴ The Home Office did subsequently produce a calculation which claimed an estimated 0.15% annual gain in GDP per capita for the resident working population (Q 512–513, p358). However, the methodology behind this calculation, especially the assumption that the impact of immigration on the returns to capital is similar to the impact on the returns to labour, is questionable.

³⁵ It should be noted even this slightly positive impact on GDP per capita may not be present at the GNP per capita level once the impact of investment income returns to overseas capital is taken into account. (NIESR Q 239–242).

³⁶ Ernst Ernst & Young ITEM Club Special Report: Migration and the UK economy, December 2007. Available at: [http://www.ey.com/global/assets.nsf/UK/ITEM_Club_Special_Report_-_Migration_and_the_UK_economy/\\$file/EY_ITEM_Migration_Report_Dec_2007.pdf](http://www.ey.com/global/assets.nsf/UK/ITEM_Club_Special_Report_-_Migration_and_the_UK_economy/$file/EY_ITEM_Migration_Report_Dec_2007.pdf)

The Scottish Executive said that the impact of immigration on GDP per head is “generally minimal” (p 504).

66. **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.³⁷ The Government should initiate research in this area, in view of the paucity of evidence for the UK.**
67. Some of our witnesses argued that that the existing estimates of the impacts of immigration on GDP per capita ignore dynamic and spillover effects of immigration and therefore do not measure the “true contribution” of migrants to the UK economy. Most of the examples witnesses gave involved highly skilled migrants and related to finance, the medical sector and higher education. Such individual cases make a point about gross immigration but throw little light on the desirability of positive net immigration. Such individual cases make a point about gross immigration but throw little light on the desirability of positive net immigration.
68. According to Mr Portes of the DWP, “the City of London is an obvious example of where you might have clustering effects that will generate gains which are quite difficult to quantify in short-term economic studies” (Q 517). Making a similar point, Dr Danny Sriskandarajah of the IPPR argued “the fact that that sector [finance], which is so critical to the UK’s competitiveness, can attract a diverse workforce, which comes with international networks and with knowledge of working across the world, I think, is critical to the success of that sector and, therefore, has positive spin-offs for the rest of the economy and host population” (Q 492) Dr Sriskandarajah also suggested, however, that “it is very difficult to quantify diversity” (Q 492). John Martin of the OECD said that there is very little work in this area (Q 473).
69. **Although possible in theory, we found no systematic empirical evidence to suggest that net immigration creates significant dynamic benefits for the resident population in the UK. This does not necessarily mean that such effects do not exist but that there is currently no systematic evidence for them and it is possible that there are also negative dynamic and wider welfare effects.**

Wages

70. As Professor Rowthorn stated, there are three methodological difficulties in undertaking analysis of the labour market impacts of immigration (p 7). First, since immigrants tend to go to areas that are experiencing strong economic growth and labour demand, rising growth in wages and employment may cause immigration as well as being affected by it. Second, immigration from abroad into a certain area may cause some residents to move from that area to another part of the country or abroad. If this happens, the labour market impact of immigration into a certain area may be dissipated across the country, which makes it harder to measure through local labour market analysis. Third, the available migration data are often based on small samples of the population and may thus be subject to

³⁷ See Smith, J. and B. Edmonston, ed. (1997) *The New Americans, Economic, Demographic and Fiscal Impacts of Immigration*, National Academy Press, Washington D.C.

significant measurement error. Most analysis of the labour market impacts of immigration in the UK and elsewhere have used various econometric techniques to address some of these issues but some difficulties and caveats typically remain.

71. In the UK, the most recent study by Professor Dustmann and others concludes that immigration has a positive absolute wage effect for natives, but lowers wages of those workers employed in the lowest paid jobs.³⁸ This work suggests that every 1% increase in the ratio of immigrants to natives in the working age population ratio led to a 0.5% decrease in wages at the 1st decile (the lowest 10% of wage earners), a 0.6% increase in wages at the median, and a 0.4% increase in wages at the 9th decile. These effects are fairly modest. Explaining these results, Professor Dustmann and Professor Ian Preston told us that, as theory suggests, “immigrants appear to be most concentrated at precisely the same points where we find the most negative wage effects” (Q 159). Professor Dustmann expressed confidence in the robustness of his conclusions which cover the period 1997–2005, but added that future immigration may have different effects (Q 166).
72. Most of our witnesses agreed that there is some negative effect of immigration on the wages of low-skilled workers. However, there were disagreements over the extent of the effects and the amount of evidence. Professor Blanchflower said there was “some evidence” to suggest that A8 workers have lowered wage increases amongst the least skilled “but the effects are not enormous” (Q 318). The Institute of Directors argued that the effect on wage growth has “probably been limited”.³⁹ The City of London Corporation was the most pessimistic about the impact on the low-paid. It concluded that the concentration of immigrants in low-paid jobs in the capital had led to “significant downward pressure on wages at the bottom end of the market”. While this had encouraged growth in the number of these jobs, earnings among workers in this sector ended up “falling behind growth in the cost of living” (p 427). Professor Nickell suggested that home care staff and cleaners were among those whose pay was adversely affected by immigration (Q 37).
73. Even if immigrants are not competing directly for the same jobs in many cases, they may still have a strong indirect effect in depressing wages for resident workers. Professor Blanchflower found that wage growth slowed in both the UK and Ireland following A8 accession although both economies were booming. He attributed this to a rise in the fear of unemployment caused by high immigration, which in turn leads to lower wage settlements (p 196).
74. A number of witnesses pointed out that a significant proportion of the low-paid workers whose wages have been adversely affected by immigration are previous immigrants and existing ethnic minority groups (Rowthorn p 8, 24; ESRC p 448). This is because recent immigrants frequently enter sectors which already employ a large number of earlier immigrants, many of whom have since become British citizens. Slough Council said that some of the Pakistani community in the borough felt their jobs were being lost to the new

³⁸ Dustmann et al, A Study of Migrant Workers and the National Minimum Wage and Enforcement Issues that Arise, Low Pay Commission (2007)

³⁹ Institute of Directors, Immigration: a business perspective, (January 2007), p 15

incoming Polish community, which is higher skilled and prepared to work for lower wages (p 276).

75. Professor William Brown, a former member of the Low Pay Commission, argued that the national minimum wage (NMW) has played an important role in shielding low-paid workers in the UK from more adverse impacts of immigration. "It is probable that, in the absence of the NMW, wages at the lower end of the income distribution, which were already deteriorating relative to the median during the 1990s, would have subsequently experienced additional deterioration as a result of immigration" (Brown p 413). Although there is a "general belief that the NMW is enforced" (Brown p 413), the Low Pay Commission recently recommended that the Government take action to prioritise targeted enforcement of the minimum wage in those sectors that employ significant numbers of immigrant workers.⁴⁰
76. Research by Dr Steve French on immigrant workers in Staffordshire found that some employers and agencies imposed various charges on immigrants' salaries, thus reducing their pay below the minimum wage; Dr French gave an example of a worker who had his salary cut to £3.50 an hour (p 460) This work showed that immigrant workers had little knowledge of their rights. Separate research commissioned by the Low Pay Commission found some evidence of immigrants receiving less than the minimum wage, partly because employers were housing them and deducting more than the legally allowed accommodation offset from workers' salaries.⁴¹
77. Although the Government has said that it would step up enforcement against employers, it is unclear how effective the new measures will be. Between 2002 and 2006, in England and Wales, only 45 employers were proceeded against for illegally employing immigrants of whom 27 were found guilty.⁴²
78. **The available evidence suggests that immigration has had a small negative impact on the lowest-paid workers in the UK, and a small positive impact on the earnings of higher-paid workers. Resident workers whose wages have been adversely affected by immigration are likely to include a significant proportion of previous immigrants and workers from ethnic minority groups.**
79. **Effective means must be found for enforcing the law against employers who illegally employ immigrants or who employ immigrants at wages and employment conditions that do not meet minimum standards.**

Unemployment

80. The Government's preferred finding on the employment effects of immigration is that from a DWP study.⁴³ This analysed the impact of labour immigration of A8 workers, measured by the number of workers registered in the Worker Registration Scheme, on the claimant count rate of citizens, that

⁴⁰ Low Pay Commission Report 2006, National Minimum Wage

⁴¹ Steve French and Jutta Möhrke, The impact of 'new arrivals' upon the North Staffordshire labour market, Low Pay Commission, November 2006

⁴² Home Office, Control of Immigration Statistics 2006, Table 6.7, p 88

⁴³ DWP Working Paper 29, Gilpin et al, The impact of free movement of workers from Central and Eastern Europe on the UK labour market, February 2006

is, on the proportion of the working age population in receipt of Jobseeker's Allowance. Using data up to November 2005, the study found "no discernible statistical evidence which supports the view that the inflow of A8 migrants is contributing to a rise in claimant unemployment in the UK" (p 122).

81. In an earlier study, Professor Dustmann argued that "if there is an impact of immigration on unemployment then it is statistically poorly determined and probably small in size".⁴⁴
82. Dr Rebecca Riley of the NIESR questioned whether such a strong conclusion could be drawn from the DWP study as it did not take account of the possibility of emigration of resident workers to another part of the UK or overseas in response to immigration from abroad (Q 261). Analysis by the NIESR based on simulation models suggests that immigration increases unemployment in the short term, with close to zero effects in the long term (p 149, 151).
83. Professor Rowthorn also disagreed with the clear conclusion the Government has drawn from the DWP study and the previous study by Professor Dustmann. He pointed out that both studies did find relatively large but statistically insignificant effects of immigration on unemployment. He argued that finding effects that are statistically insignificant "does not mean that they are 'small', as the authors claim. It simply means that there is too much noise in the system to estimate them accurately" (p 8). Professor Richard Pearson also warned that studies such as that by the DWP have "severe methodological limitations" (p 485).
84. The recent ITEM Club report points to the potential negative impact of immigration on youth unemployment. The report notes that youth unemployment increased by about 100,000 since early 2004 and the participation rate has dropped from 69.4% to 67.4%. "Given the age and skill profile of many of the new immigrants, it is possible that 'native' youngsters may have been losing out in the battle for entry-level jobs".⁴⁵ The Royal Society of Edinburgh also noted that a high proportion of A8 migrants were under 24 years old and said that further research was needed on the impact on the youth labour market (p 503).
85. **The available evidence is insufficient to draw clear conclusions about the impact of immigration on unemployment in the UK. It is possible, although not yet proven, that immigration adversely affects the employment opportunities of young people who are competing with young immigrants from the A8 countries. More research is needed to examine the impact of recent immigration on unemployment among different groups of resident workers in the UK.**

Training and apprenticeship

86. Liam Byrne MP told us that there was a danger of immigration discouraging British employers from investing in training of local workers, particularly at

⁴⁴ Dustmann et al, The local labour market effects of immigration in the UK, Home Office Online Report 06/03, 2003

⁴⁵ Ernst & Young ITEM Club Special Report: Migration and the UK economy, p.9, December 2007. Available at: [http://www.ey.com/global/assets.nsf/UK/ITEM_Club_Special_Report_-_Migration_and_the_UK_economy/\\$file/EY_ITEM_Migration_Report_Dec_2007.pdf](http://www.ey.com/global/assets.nsf/UK/ITEM_Club_Special_Report_-_Migration_and_the_UK_economy/$file/EY_ITEM_Migration_Report_Dec_2007.pdf)

“the low end” of the labour market. He said: “That is one of the reasons why I have said that when the points system is introduced ... I do not see a need for low skilled migration from outside Europe” (Q 521). Mr Portes of the DWP added: “There clearly is a risk here that too much migration in some of the wrong sectors would indeed reduce the incentives [for training].” Mr Portes said that the Migration Advisory Committee will take this risk into account when “advising on which sectors migrants might help to fill in terms of labour market shortages” (Q 521).

87. Brendan Barber of the TUC warned that large infrastructure projects such as the London Olympics “could be entirely undertaken by migrant labour, if one simply left the key contractors to make these [recruitment] decisions for themselves. If that were to be the case, rather than there to be a positive investment in the skills and training of others in the communities of East London ... if it passed the East London economy by, that would be a disaster” (Q 194).
88. Jack Dromey of Unite said that “this is also a tremendous opportunity for Government to use the power of public procurement to target those young white kids out of work in Barking and those young second generation Bangladeshi kids in Tower Hamlets with a view to offering them apprenticeships, such that a legacy of 2012 becomes a project of which we are all proud ... [with] a new generation of Barking and Bangladeshi bricklayers” (Q 194).
89. UCATT, the largest specialist union representing construction workers in the UK and Republic of Ireland, emphasised “the continued necessity of migrant workers for the construction sector”, but also argued that “more apprenticeship places must be offered to young people in the construction industry” (p 509). It pointed out that in 2006 there were 50,000 applications for construction apprenticeships but only 9,000 places available. (UCATT p 509). Stephen Ratcliffe of the Construction Confederation said that immigration did not affect employers’ incentives to provide apprenticeship to young British people (Q 137).
90. Employer organisations such as the CBI and the Recruitment and Employment Confederation noted that training is at an all-time high in the UK. They advocated a “twin-track” approach which involves encouraging immigration to fill shortages in the short term while at the same time investing in domestic skill development to help fill shortages in the long term (CBI p 123).
91. The empirical evidence on the impact of immigration on the provision of apprenticeships to young British workers is limited. Professor Linda Clarke, of the University of Westminster, studied the recruitment practices of employers at Terminal 5, one of Europe’s largest construction projects. According to LFS data, only 2.8% of those employed in the construction industry are from ethnic minority groups although they constitute 7% of the economically active population. Professor Clarke identified employers’ reliance on recruitment agencies, “which tend to target a traditional white male and migrant workforce rather than local and diverse labour”, as one of the key obstacles to a more inclusive and local labour force at Terminal 5 (p 432). She also noted that “the recruitment of migrant workers—available quickly and possessing the necessary skills and experience—appears to many stakeholders as justifiable. It was claimed too that if training is provided by a company, there is the danger of ‘poaching’ by competitors, and therefore

skilled migrants are preferred [by employers] to taking on apprentices” (p 430).

92. A number of witnesses suggested that there is a potential adverse impact of immigration on training opportunities for British workers in other sectors besides construction. For example, Professor Pearson suggested that, in the NHS, “the employment of overseas nationals in training roles limited the career development of junior UK doctors, potentially reducing the long attractiveness of a medical career to UK nationals” (p 485). Dr Edwin Borman of the British Medical Association explained how immigration of migrant doctors and the increased number of UK-born doctors has led to an oversupply of doctors seeking postgraduate training posts in Britain. He suggested that this was partly due to an “utter failure of an effective medical planning structure” (Q 302).
93. **Our recent report on apprenticeship and skills argued that the Government was not doing enough to develop high quality apprenticeships.⁴⁶ Although the evidence is limited, there is a clear danger that immigration has some adverse impact on training opportunities and apprenticeships offered to British workers.** The Government acknowledged this danger in its evidence to us (Q 521). If immigration has adverse impacts on training, apprenticeships and domestic skill development, the twin track approach advocated by many employers—immigration to fill shortages in the short run, and skill development of British workers to fill shortages in the long run—will not work. **The Government should consider further measures to ensure that employers recruiting immigrants are also investing in training and skills development of British workers.**

Macro-impacts: Inflation and unemployment

94. Professor Nickell suggested that immigration may reduce the equilibrium rate of unemployment. “This will happen if, for example, immigrant workers are more flexible and reduce the extent of skill mismatch, are more elastic suppliers of labour with higher levels of motivation and reliability ... This effect may, however, decrease over very long periods of time as migrants become more like the native population” He went on to say that “there is certainly a broad acceptance in the UK ... that immigration has had a tendency to reduce inflationary pressure” but cautions that “rigorous empirical analysis in this area is in short supply”.⁴⁷
95. Professor Blanchflower argued that the recent inflow of workers from Eastern Europe has lowered the natural rate of unemployment. He suggested that immigration also seems to have reduced inflationary pressures by increasing potential supply more than demand for several reasons: because locals may have cut consumption because of greater fear of unemployment; because remittances by migrant workers mean that less of their earnings is spent in the UK; and because firms may substitute some labour for capital which would curb the rise of investment. The NIESR economic model suggested that A8 immigration lowered inflation slightly in the short and medium term.

⁴⁶ Economic Affairs Committee, 5th Report (2006–07), *Apprenticeship: a key route to skill* (HL 138)

⁴⁷ Professor Stephen Nickell, Immigration: Trends and Macroeconomic Implications, paper prepared for the Bank of International Settlements conference in honour of Palle Anderson on ‘Globalisation and Population Trends: Implication for Labour Markets and Inflation’, 2/3 December 2007, p 12

The model then shows inflation almost returning to its base level over a period of 10 years. (p 151).

96. Richard Barwell of the Bank of England has cited the importance of immigrants' length of stay in determining the impact on inflation. "If the majority of immigrants do intend to return home in the near future, it is likely that they will try to save a large fraction of their income. So recent inflows may have had only a muted impact on aggregate demand." On balance, immigrants have probably had a larger impact on aggregate supply than demand, "so migration has probably helped to ease inflationary pressures in the economy, at least temporarily."⁴⁸ This is particularly true of EU immigration because so much of it is temporary. It is less true of immigration from outside the EU.
97. **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. 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.**
98. **In the short term, immigration may put pressure on the employment opportunities of young people. In the long run, the economic impacts of immigration on the resident population are likely to be fairly small. Thus a key question is how quickly the economy adjusts to immigration. Much more empirical work might usefully be done on the labour market and macroeconomic impacts of immigration in the UK.**

⁴⁸ Richard Barwell, The macroeconomic impact of international migration, Bank of England Quarterly Bulletin, First Quarter 2007

CHAPTER 4: IMMIGRATION AND LABOUR SHORTAGES

99. The Government, business community and other groups argue that migrants are needed to fill labour and skills shortages in the UK, and that British people often cannot or do not want to fill vacancies. The speech of the previous Prime Minister, Tony Blair, to the CBI just before EU enlargement on 27 April 2004 expressed this view clearly:

“There are half a million vacancies in our job market and our strong and growing economy needs migration to fill these vacancies ... some [of which] are for unskilled jobs which people living here are not prepared to do ... [moreover] a quarter of all health professionals are overseas born ... 23% of staff in our higher education institutions are non-UK nationals ... our public services would be close to collapse without their contribution”.

100. Most employers giving evidence to us echoed this view, citing a better “work ethic” and “attitude” as one of the main reasons why they employed immigrants rather than British workers. Sainsbury’s said: “We have found migrant workers to have a very satisfactory work ethic, in many cases superior to domestic workers” (p 492). The National Farmers Union (NFU) told us that migrants “are an attractive source of labour to UK employers because of their work ethos, efficiency and dependency” and that they do jobs “the domestic workforce is unwilling to do” (p 100). Tom Hadley of the Recruitment and Employment Confederation (REC) suggested that “sometimes in the UK you almost feel that there is an attitude gap rather than a skills gap” (Q 147). The British Hospitality Association suggested that “in many cases, they [migrants] are seen as having more to offer than the domestic workforce” (p 406).
101. A recent study of employers’ use of migrant labour⁴⁹, commissioned by the Home Office and cited in their evidence to us (p 198), suggests that employers’ preference for immigrants because of their “general attitude and work ethic” is not exceptional but fairly prevalent across various sectors, especially in low-skilled occupations. Susan Anderson of the CBI explained that employers are simply making a rational business choice:

“If you have the choice between two individuals, one of whom seems really enthusiastic about work, who wants to get on ... who wants to learn and wants to move on and wants to perform well, then you are going to choose that individual with that positive attitude. If those positive attitudes are coming more from the migrant worker than the UK-born, then I am afraid you are going to go for the migrant workers. We know what the solution to that disadvantage would be: a bit more enthusiasm from the indigenous worker” (Q 103).

102. **Although clearly benefiting employers, immigration that is in the best interest of individual employers is not always in the best interest of the economy as a whole.** If, as Liam Byrne MP says, the Government is “not actually running British immigration policy in the exclusive interests of the British business community” (Q 534), it is important to examine the economic basis of the arguments that immigrants are needed to fill and

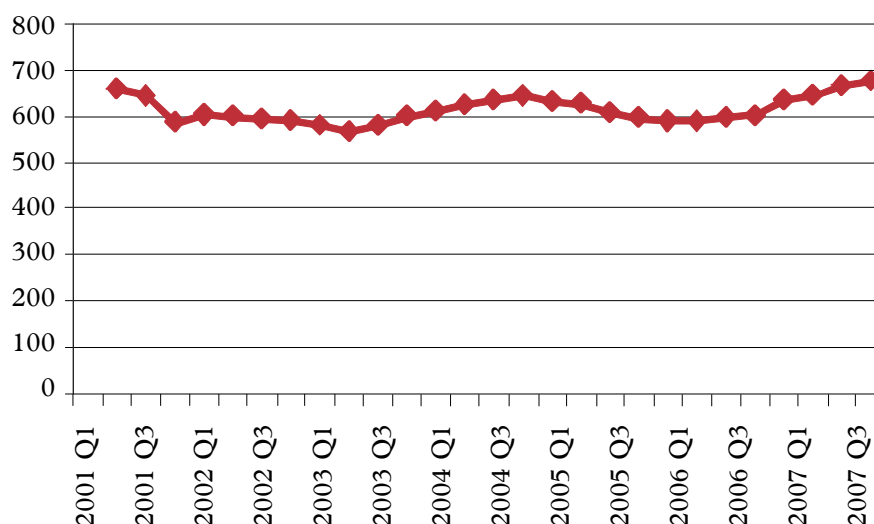
⁴⁹ Dench, S., Hurstfield, J., Hill, D., and K. Akroyd. 2006. *Employers’ use of migrant labour* Home Office Online Reports. 03/06 and 04/06

reduce vacancies, and that immigrants have a superior work ethic, and thus are needed to do the jobs that British workers cannot or will not do.

Immigration and vacancies

103. As Prime Minister, Tony Blair argued that immigration was needed to lower the number of vacancies. But as Figure 4 shows, the recent increase in immigration to the UK has not resulted in a decline in the number of overall vacancies in the UK, which has remained around or above 600,000 since 2001. The recent ITEM Club report cites data from a survey carried out by the British Chamber of Commerce, showing that the proportion of firms reporting recruitment problems across all skills levels has not substantially declined since 2000.⁵⁰

FIGURE 4
Vacancies in the UK (thousands), 2001–2007



Source ONS, *seasonally adjusted vacancies*

104. Rising immigration has not resulted in a decline in vacancies because the number of jobs in an economy is not fixed. Immigration increases both the supply of labour and, over time, the demand for labour, thus creating new vacancies. As William Simpson of the CBI explained, “immigrants do not just plug existing holes in the labour market ... they create new demands for products and services which are already available, but also those that cater to the immigration population. So this will, in a dynamic economy, lead to creating new vacancies” as companies seek to recruit more employees to increase production to meet this extra demand. (Q 103) **In other words, because immigration expands the overall economy, it cannot be expected to be an effective policy tool for significantly reducing vacancies. Vacancies are, to a certain extent, a sign of a healthy labour market and economy. They cannot be a good reason for encouraging large-scale labour immigration.**

⁵⁰ Ernst & Young ITEM Club Special Report: *op.cit.*

Immigrants' work ethic

105. There is little doubt that many immigrants are extremely diligent and highly motivated. However, Dr Bridget Anderson pointed out that notions of good attitude and work ethic are “highly subjective and potentially simplistic. Indeed it is interesting to see them feature in otherwise scientific analyses of immigration” (p 138). In practice, “work ethic” often refers to a range of attributes and qualities including, for example: willingness to accept low wages and poor working conditions; effort and reliability; flexibility; willingness to train and acquire new skills; and ease of retention. In low-skilled jobs non-EU immigrants are often easier to retain than British workers and EU immigrants because immigration rules restrict them to the employer specified on the work permit (Anderson p 138). For example, the NFU argued that non-EU migrants employed on Seasonal Agricultural Worker Scheme (SAWS) permits “provide a source of labour that is guaranteed to remain on the farm during the crucial harvest period” (p 100).
106. Recent research suggests that, because of the availability of a large and diverse pool of labour, some employers develop a specific demand for immigrant workers, sometimes even for particular nationalities of workers. In some low-wage sectors, such as domestic care and hospitality, some employers use highly stereotyped perceptions of “national characteristics” as a key proxy for assessing candidates’ suitability for specific occupations.⁵¹ However, Mr Hadley of the REC said employers ask for workers with specific nationalities only in “isolated cases” (Q 146).
107. Dr Anderson commented that when employers compare immigrant workers with British workers available for low-skilled jobs, “they are not necessarily comparing like with like ... You have people [immigrants] with a high level of education ... [who] simply would not be working in food processing if they were British” (Q 216). Immigrants often compare their earnings and employment conditions in the UK to those in their countries of origin. This is especially true among immigrants staying temporarily. Consequently, there are significant differences between the wage and employment expectations of immigrants and British workers, and also between immigrants from different countries, depending on the differences between the economic conditions in immigrants’ home countries. There is research suggesting that employers are often acutely aware of the economic and other trade-offs that immigrants are willing to make by tolerating wages and employment conditions that are poor by the standards of their host country but higher than those prevailing in immigrants’ countries of origin.⁵²
108. In many cases, immigrants will be better qualified and more accepting of the wages and employment conditions offered than the British workers available and competing for the same low-skilled jobs. Profit-maximising employers can be expected to have a preference for the workers who best suit their needs but, for the economy as a whole, immigrants’ strong work ethic cannot be a sufficient reason for promoting labour immigration. **Government policy is to ensure that employers make efforts to recruit British or**

⁵¹ Matthews, G. and M. Ruhs (2007) “The micro-foundations of labour shortages: Deconstructing employer demand for migrant labour in the UK’s hospitality sector”, COMPAS Working Paper, www.compas.ox.ac.uk Anderson, B. (2007) A very private business: exploring the demand for migrant domestic workers, *European Journal of Women’s Studies* (14) 3

⁵² Anderson et al 2006 Waldinger, R. and Lichter, M. 2003. *How the Other Half Works: Immigration and the Social Organization of Labour*. London, U.K.: University of California Press Ltd.

other EEA workers before turning to migrants from outside the EU. How effective this policy has been is unclear and we urge the Government to ensure it is properly monitored. Our concern is to avoid the development of a specific demand for immigrant workers that is based on immigrants' lower expectations about wages and employment conditions or on a preference for labour whose freedom of employment in the UK is constrained by the worker's immigration status.

Price adjustments and other alternatives to immigration

109. Professor David Metcalf, Chairman of the new Migration Advisory Committee (MAC) that advises the Government on immigration and labour shortages, told us that “the whole notion of shortages is a bit of a slippery concept” (Q 557). Basic economic theory suggests that labour shortages occur when the demand for labour exceeds the supply of workers who are qualified, available and willing to do the job. Vacancies exist because employers wish to recruit more workers than are willing to work at the prevailing wage. In a simple economic model of a competitive labour market, where demand and supply of labour are critically determined by the price of labour, most labour shortages are temporary and eventually eliminated by rising wages.
110. In practice, labour markets do not always work as the simple textbook model suggests. How, and how quickly, prices clear labour markets can depend on the source of the labour shortages, which could include sudden increases in demand or inflexible supply (because, for example, it takes time to train local workers). Moreover, how local labour supply reacts to a change in wages varies across sectors and occupations. A 10% wage increase may be enough to encourage more British workers to fill vacancies in hospitality, but it may not be enough to increase domestic labour supply in sectors such as agriculture and others that involve work that some workers consider as “low status”. In a few sectors, wages may have to rise significantly to attract local workers. However, Professor Rowthorn argued that “there may be one or two jobs like that but markets exist ... if wages are higher, eventually people will be drawn into occupations” (Q 17). The recent ITEM Club report notes that “we do not know how the domestic labour supply would have reacted to rising growth in 2004–06 in the absence of increased immigration. It might have proved surprisingly [responsive] via increased participation rates in marginal groups”.⁵³
111. Most of our witnesses from employer organisations were explicit about low pay being a key explanation of the difficulties employers have with recruiting local workers and of the high share of immigrant labour in their sectors. For example, explaining the reasons for shortages in the social care sector, Mr Hadley of the REC, said that “we just cannot get enough people on our books to fill the need and part of it is the pay is actually quite low and is a factor possibly” (Q 145). Josie Irwin of the Royal College of Nursing argued that “if nurses were paid a fair salary, then they clearly would have an economic impact in attracting domestic trained nurses to join the workforce” (Q 296). Ms Irwin further suggested that there would be a greater supply of domestic trained nurses if the Government had provided more training

⁵³ Ernst & Young ITEM Club Special Report: *op.cit.*

- places and made nursing more attractive by offering higher salaries and better employment conditions 10 to 15 years ago (Q 299).
112. The NFU said that wages in agriculture are significantly lower than in other sectors and that “migrants perform tasks, at rates of pay, which most domestic workers would be unwilling to work at” (p 100). This last comment illustrates a key issue, namely, that employers’ expressed “need” for immigrant labour is often a demand for labour that can be employed at current rates of pay, rather than at higher wages that are generally necessary to attract labour in a competitive market.
 113. **Immigration keeps labour costs lower than they would be without immigrants. These lower labour costs also benefit consumers, who then pay less than they otherwise would for products and services (including public services) produced or provided by immigrants.**
 114. A number of witnesses argued that raising wages for workers employed to provide services in or for the public sector is severely limited by cost pressures in the public sector. Lesley Rimmer of the UK Home Care Association told us that “two thirds of employers say it is difficult or impossible to recruit locally at current rates of pay and these pay rates are primarily a reflection of what councils are willing to pay since they make up 80% of the purchasers of care services” (Q 300). Dr Anderson argued that increasing wages to attract local workers would require a reform of the UK’s social care system. “If there were no immigration, there really would have to be a big re-think about how social care and care of the elderly was organized; really big, back-to-first premises” (Q 30).
 115. Dr Borman of the BMA explained how the UK public health sector benefits from the employment of immigrant doctors. He said: “Migrants are carrying their primary qualifications and their expertise to the United Kingdom effectively for free. It costs in the order of ... a quarter of a million pounds to qualify a doctor within the United Kingdom medical school system and clearly, having a doctor who has qualified abroad, bringing those qualifications means a net gain to the United Kingdom” (Q 300). Making a similar point, Ms Irwin of the Royal College of Nursing suggested in her evidence on the employment of foreign nurses in the UK that “in general terms, the employment of migrants is a deliberate policy choice to employ a workforce at a lower cost” (Q 294).
 116. It is clear that various low-wage sectors of the UK economy (in both private and public sectors) are currently heavily dependent on immigrant labour. Increasing wages to attract more British workers to produce or provide a certain product or service can be expected to lead to an increase in the price and thus affect consumers of that product or service. In the public sector, higher labour costs could result in higher taxes and/or require a restructuring of the way in which some services such as social care are provided. Nevertheless, the fundamental point remains that labour demand, supply and thus the existence and size of labour shortages critically depend on wages—the price of labour. Arguments about the “need” for migrant labour that ignore price adjustments are meaningless and misleading.
 117. Increasing wages is only one among various potential alternatives to immigration for responding to perceived labour shortages. The list of potential options for employers includes:

- increasing wages and/or improving working conditions to attract more local workers who are either inactive, unemployed, or employed in other sectors;
 - changing the production process to make it less labour-intensive, for example, increasing the capital and/or technology intensity;
 - relocating to countries where labour costs are lower;
 - switching to production (provision) of less labour-intensive commodities and services;
 - employing immigrant workers.
118. Although not all of these options will be technically feasible for all employers—for instance, the work of waiters in the hospitality sector cannot be off-shored—many employers will face a number of options. An employer’s decision on how to respond to a perceived labour shortage will naturally depend on the relative costs of each of the alternatives. Just as immigration may discourage employers, including those in the public sector, from raising wages and investing in training and skill development of the domestic workforce (see the discussion in chapter 3), the **ready access to cheap migrant labour may reduce employers’ incentives to consider other options, in particular changing production methods.**
119. Professor Chiswick noted that, if there were fewer low-skilled workers in the harvesting of field crops: “Farm managers would pay higher wages to attract native-born workers and this would speed up the mechanization of the harvesting of field crops. The technology is there, but with low wages for farm labourers there is little economic incentive for the growers to mechanize or invest in other types of new technology” (p 425). This was precisely the experience of the US tomato-processing industry where growers argued that the industry could not do without migrants. But subsequent mechanization increased productivity and reduced prices.⁵⁴
120. Professor Christian Dustmann pointed out that “there is evidence that technology adjusts to the availability of labour in particular parts of the skill distribution” (Q 175). He gave the example of “the wine industry in Australia and California, which is highly labour intensive in California and highly mechanised in Australia, the reason being that it is very easy to get unskilled workers in California but not in Australia” (Q 175).
121. Mr Ratcliffe of the Construction Confederation suggested that off-shoring certain types of production, or importing certain products, is possible in the construction industry but critically depends on the cost incentives that employers are confronted with: “... [offshoring] is quite feasible but it is a question of economics as to whether it is cheaper. Certainly in Catterick they are doing some military accommodation up there and all the bathrooms are simply transported in, having been made in factory, so certainly one of the responses to skills shortages will be more off-site prefabrication; it is an idea which is catching on quite nicely in the industry” (Q 143).
122. **We recognise that many public and private enterprises currently rely upon immigrants—from the NHS to City institutions, from the**

⁵⁴ Martin, P. et al (2006) *Managing Labor Migration in the Twenty-first Century*, Yale University Press, New Haven, p. 126–127

construction industry to residential care. We do not doubt the great value of this workforce from overseas to UK businesses and public services. Nevertheless, the argument that sustained net immigration is needed to fill vacancies, and that immigrants do the jobs that locals cannot or will not do, is fundamentally flawed. It ignores the potential alternatives to immigration for responding to labour shortages, including the price adjustments of a competitive labour market and the associated increase in local labour supply that can be expected to occur in the absence of immigration. Each of the alternative ways of responding to labour shortages involves its own economic costs and benefits. Rather than deducing a need for immigrant labour from the existence of vacancies in the economy, the discussion about how to respond to labour shortages should be based on analysis of the feasibility and net benefits to the resident population from the various alternatives including immigration.

123. Immigration encouraged as a “quick fix” in response to perceived labour and skills shortages reduces employers’ incentives to consider and invest in alternatives. It will also reduce domestic workers’ incentives to acquire the training and skills necessary to do certain jobs. Consequently, **immigration designed to address short term shortages may have the unintended consequence of creating the conditions that encourage shortages of local workers in the longer term.**
124. **We recognise that there is a case for enabling employers to hire significant numbers of highly-skilled foreign workers. But whether this implies net immigration is an issue to which we return later.**

CHAPTER 5: IMPACTS ON PUBLIC SERVICES AND PUBLIC FINANCE

125. The fiscal impact of immigration is complex. The Government argues that on average migrants contribute more to the public finances than the local population. The Immigration Minister declared last October: “Our country and exchequer is better off with immigration than without it.”⁵⁵ On the other hand, MigrationWatch argue there is “no fiscal benefit to the host population” (p 361).
126. There are two possible approaches to measuring the net fiscal impact of immigration, that is, the difference between the taxes immigrants pay and the costs of public services and benefits they consume. The static or “snapshot” approach measures net fiscal impacts in a given period (for instance, in a certain year). The dynamic approach takes a long-term view, assessing the expected fiscal costs and benefits of immigrants over their entire lifetime (for instance, the expected taxes immigrants and their children will pay in the future, their future use of public services etc.). In theory, the long-term approach is preferable; but, as the Government recognises, there are practical problems as it relies heavily on forecasts about relative earnings, employment and the tax and benefits system which are “difficult to predict accurately in the long run” (p 317). The snapshot approach looks at historical data, which makes it easier to conduct. But it still requires difficult decisions about what costs and benefits to include, and about how to attribute them to migrants and non-migrants.
127. In theory, the net fiscal impacts of immigration are likely to depend on a range of factors: immigrants’ age; their earnings; their eligibility for and take-up of public services and benefits (with eligibility critically determined by migrants’ immigration status); and the nature of the tax and transfer system, especially on the extent to which it redistributes income from high to low-income earners. Everything else being equal, high skilled immigrants can expect to find employment in higher-paying jobs and thus make a bigger net fiscal contribution than low-skilled immigrants.

Existing estimates of net fiscal impacts

128. All existing studies of the fiscal impacts of immigration on the UK are of the static or “snapshot” type. They reached different conclusions. Two studies—by the Home Office and the IPPR—found that immigration creates net fiscal benefits for the UK. The Home Office study⁵⁶ claimed that immigrants paid in £2.5 billion more than they consumed in Government services in the year 1999–2000 (p 316). Immigrants paid in 10% more in taxes than they received in public services and benefits, compared to only a 5% ‘surplus’ for the UK-born population.
129. The IPPR study, published in 2005, updated the earlier Home Office paper.⁵⁷ It found that immigrants had a more positive net fiscal impact than

⁵⁵ Liam Byrne MP addresses Harlow on immigration, October 17, 2007. Available at: <http://press.homeoffice.gov.uk/Speeches/LB-immigration?version=1>

⁵⁶ Gott, C. and Johnston, K. (2002) The migrant population in the UK: fiscal effects, Home Office RDS Occasional Paper No 77, available at <http://www.homeoffice.gov.uk/rds/pdfs/occ77migrant.pdf>

⁵⁷ Sriskandarajah, D., Cooley, L. and Reed, H. (2005) Paying their way: the fiscal contribution of immigrants in the UK, IPPR, available at <http://www.ippr.org/publicationsandreports/publication.asp?id=280>

- the UK-born each year from 1999 to 2004. In 2003–04, when the Government ran a budget deficit such that all taxpayers on average consumed more public benefits and services than they paid in taxes, the IPPR study found that the average immigrant cost the exchequer £74 in net terms compared to a net cost of £892 per UK-born person. In other words, immigrants were less of a burden on the exchequer than the UK-born population. The Government uses these figures to back up claims that the “exchequer is better off with immigration rather than without it.”
130. MigrationWatch claimed these figures are flawed, mainly because the health care, education and other public service costs of children born to one immigrant and one UK-born parent were all allocated to the UK-born population (p 361). MigrationWatch argued these costs should be split equally between immigrants and the UK-born population. Making this adjustment but keeping the rest of the Government methodology intact, MigrationWatch calculated the migrant population had a net fiscal cost of £100 million in 1999–2000 compared to the £2.5 billion surplus figure in the Home Office study. It also means, according to MigrationWatch, that immigrants made a smaller net contribution per head than the UK-born in 1999–2000, and a “similar contribution” to the UK-born in 2003–04. The Government has conceded that MigrationWatch’s method “would substantially bias the calculation against migrants” but dismissed it as unacceptable: “Children born in the UK are UK citizens and it is inconsistent to view them as ‘part migrant’ before the age of 16, but UK nationals after that age” (p 317). However, if this argument is valid, the Government is itself inconsistent in not applying this approach to children born in the UK to two immigrant parents. Like MigrationWatch, the Government attributes to the immigrant population the cost of public services provided to such children.
131. Professor Rowthorn showed that the results of fiscal impact studies depend not only on the treatment of children but also on a range of other factors including, for example, whether a proportion of defence costs are attributed to migrants. Different treatment of these factors leads to various estimates for the net fiscal impact of immigrants, ranging from -£5.3 billion to +£2.6 billion for 2003–04. Although it is “difficult to obtain an accurate picture of how immigration has affected public finances”, Professor Rowthorn concluded that the potential fiscal impact is small relative to the size of the total economy, ranging from the equivalent of -0.47% to +0.23% of GDP (p 6).
132. Determining whether immigrants make a positive or negative fiscal contribution is highly dependent on what costs and benefits are included in the calculations. Government claims that the exchequer consistently benefits from immigration rely on the children of one UK-born parent and one immigrant parent being attributed to the UK-born population—a questionable approach. But even using the Government’s preferred method, the fiscal impact is small compared to GDP and cannot be used to justify large-scale immigration.
133. **While the overall fiscal impact of immigration is small, this masks significant variations across different immigrant groups.** Professor Rowthorn concluded that “the positive contribution of some immigrants is largely or wholly offset by negative contributions of others” (p 6). A recent IPPR study found that immigrant employees from 13

countries—ranging from Americans to Zimbabweans—paid more tax and national insurance contributions on average than UK-born citizens, while immigrants from countries such as Bangladesh and Turkey paid considerably less on average.⁵⁸ These variations are largely due to differences in average incomes between different immigrant groups. The same study also found that almost no Americans and 1% of Poles and Filipinos in Britain claim income support, compared to 39% of Somali immigrants.

134. The IPPR thus argues: “The immense differences between different sub-groups within the immigrant population (e.g. country of origin or route of entry) and even bigger differences within groups can often mean that lumping people together as immigrants is almost meaningless” (p 299).

Uncosted externalities: Impacts on public services

135. As discussed in chapter 4, the employment of immigrants in the public sector means that public services can be delivered at a cost that is lower than would be the case with fewer or no immigrants. This is an important positive effect of immigration on the supply of public services. At the same time, immigration has an impact on the demand for and use of public services, issues that have attracted considerable attention and public debate in recent years.
136. Most of the analyses of fiscal impacts that do consider public services simply estimate immigrants’ use of public services based on their shares in the population. This assumes that the average cost of providing public services to immigrants is the same as for those born in the UK. However, there are likely to be some additional costs in providing public services to immigrants which Professor Coleman described as “uncosted externalities” (p 167). For example, immigrants are likely to make greater use of translation services than those born in the UK, but this is not factored in to existing analyses of fiscal impacts. A more accurate assessment is needed, based on figures detailing immigrants’ actual use of public services. However, few hard data are available. Professor Coleman noted that most of the existing data and information relate to ethnic minorities rather than foreign-born persons (p 167).
137. Liam Byrne MP said that his inner-city Birmingham constituency has experienced high rates of immigration which he believes “affects the ability of public servants to deliver education and health services”. However, in general, “people are not able to produce hard statistical evidence that would necessarily allow us to put together a very neat cost-benefit analysis of different patterns of migration” (Q 522).
138. We have focused our analysis of immigration and public services on education and health. However, on both issues the evidence received has been very limited. We have not considered other important areas such as policing, the prison population (of which, in England and Wales, 14% are foreign nationals⁵⁹) or government activities related, for example, to the promotion of social cohesion.

⁵⁸ Sriskandarajah D, Cooley L, and Kornblatt T (2007) *Britain’s immigrants: an economic profile*, London: IPPR, available at <http://www.ippr.org/publicationsandreports/publication.asp?id=563>

⁵⁹ Ministry of Justice, Population in Custody Monthly Tables, England and Wales, December 2007

Education

139. In the last two decades, children have come to the UK from an increasing range of different countries. The LGA and Dr Janet Dobson both pointed to increasing costs that schools have consequently incurred on translation, English language training and books such as bilingual dictionaries (p 259, p 208). The National Union of Teachers (NUT) referred to Government figures showing that almost 790,000 school children in England—12% of all pupils in 2007—did not speak English as their first language, up from 9.7% in 2003 (p 211).
140. Dr Dobson noted that smaller primary schools also find it more difficult to organise necessary support for immigrants as smaller budgets are less flexible than at larger schools (p 208). Most immigrant children still go to schools in towns and cities. However, the dispersal policy for asylum seekers and the move to rural areas of more immigrants, especially from Eastern Europe, has led to numerous schools across the UK either receiving immigrant pupils for the first time or experiencing a sharp increase in their numbers (Q 343).
141. Both the LGA and Dr Dobson also noted the problems for schools in assessing the needs of the children of newly arrived immigrants, due to a lack of records and/or poor English (p 259, p 208). Faced with such pupils, who were largely an “unknown quantity”, Slough Council set up a dedicated centre at one of its secondary schools to assess the needs of new immigrant children before they entered mainstream classrooms. The centre costs £92,000 a year to run and can only handle eight pupils at a time compared to the 89 secondary-age pupils who arrived in Slough during the summer holidays in 2006 (p 275).
142. Immigrants arriving in the middle of the school year create extra administrative costs. The LGA quoted an Association of London Government study that found the additional administrative costs of registering a new child after the start of the school year amounted to £400 per child at primary level and £800 for secondary schools (p 259). Dr Dobson, who had worked in schools which had taken in 120 to 150 pupils at non-standard times, said the process for each child was time-consuming, it “often involves several members of staff” and “it does have this very negative impact in terms of diverting resources” (Q 342).
143. Dr Dobson noted that many immigrant families make frequent changes of residence in the early part of their stay in the UK. This leads to continuous inflows and outflows of pupils at some schools. These “high-mobility” schools face bigger problems as they frequently repeat many of the routines outlined above. (p 209)
144. However, immigrant children also create benefits for schools. Dr Dobson told us many immigrant children study hard and that the extra investment for immigrant pupils can raise the quality of education for all children at the school (p 209). The NFU suggested immigration has contributed to the maintenance of some local village schools as the children of immigrants boost enrolment (p 102).

Health

145. The British Medical Association, Royal College of Nursing and UK Home Care association were unable to provide any data on migrants’ use and associated costs of health care services. Dr Borman of the BMA said that

collating data on the demand for and costs of health services created by migrants “would pose considerable difficulty”. This is partly because within the hospital sector “no-one will be specifically collecting that information for patients who are clearly entitled to healthcare”, such as EEA citizens (Q 309). Professor Coleman said that the NHS does not collect information about the country of birth of the people who use its service (p 168). The UK Home Care Association noted that the Director General of Social Care of the Department for Health had recently described the social care sector as a “data desert” (Q 310).

146. In the absence of hard data, both Liam Byrne MP and the LGA argued that the impact of recent immigration on costs in the health service is limited because new immigrants have tended to be young and therefore relatively healthy (Q 522, p 260). The Scottish Executive and the LGA referred to reports of increased use of maternity services and that recent immigrants had sometimes used accident and emergency services at hospitals where a GP would have been more appropriate⁶⁰ (pp 502–503, p 260).
147. As a result of the very limited evidence on the impacts of immigration on health, education and other public services, the Government has recently set up the Migration Impacts Forum. It aims to “help build the evidence base for the effects which migration is having on communities and public services throughout the United Kingdom and on how these challenges can best be met”⁶¹. Liam Byrne MP told us that the Forum had reported some increase in GPs’ caseloads in two regions, “quite limited” inappropriate use of A&E services at hospitals (when a GP would have sufficed) and an increase in the number of pupils who needed help with English as a second language (Q 522).⁶² However, the costs involved do not appear to have been quantified.
148. **Immigration has important economic impacts on public services such as education and health. The current information and data available to assess these impacts are very limited. The launch of the Migration Impacts Forum is a welcome development but so far it has not produced any systematic evidence needed to assess the economic costs and benefits of immigration for public services. The Government should give priority to ensuring the production of much more information in this area.**

Funding for local councils

149. Most taxes are collected at the national level but many public services are provided and paid for at the local level. Councils in the south of England—Westminster, Hammersmith and Fulham, Hillingdon, Slough and the LGA—all argued strongly that the problems with the current immigration statistics (see chapter 2) have led to immigrant numbers in their areas being significantly under-estimated (pp 279, 467, 272, 472–473, Q 440). Since the funding to local councils from central government is directly linked to the

⁶⁰ Also see BBC News, NHS “not ready for immigration”, 29 January 2008, available at <http://news.bbc.co.uk/1/hi/health/7215624.stm>

⁶¹ See Department for Communities and Local Government, Migration Impacts Forum at: <http://www.communities.gov.uk/communities/racecohesionfaith/asylumandimmigration/migration-forum/>

⁶² Also see evidence from a regional consultation by the Migration Impacts Forum at: <http://www.communities.gov.uk/documents/communities/pdf/regionalimpacts>

size of each district's population, the undercount of immigrants has, local councils argue, led to inadequate funding for public services. The LGA thus called for a special migration 'contingency fund' of £250 million a year—about 1% of the total funding councils receive from central government (Q 447).

150. Local councils also pointed out that the extra funding needed following a sudden increase in immigration can take time to feed through despite the immediate increase in pressure on local services (Q 447). Similarly, Dr Dobson said schools sometimes face a jump in pupil numbers through rapid migration but experience a slow response of extra funding from the authorities (p 207)
151. **More work needs to be done—by both central and local government—to assess whether and how much extra funding for local services is needed because of increased immigration. The Government should ensure that local councils have adequate funding to provide and pay for the increasing demand for public services.**

Impacts on pensions

152. It is frequently argued that immigrants are needed to defuse the “pensions time bomb” by helping to support an increasing population of elderly people in the UK. This argument is usually made in the context of Britain's rising dependency ratio—the ratio of pensioners and children to the working age population. The IPPR presented estimates of the income tax increases required to help maintain the UK pension system if net immigration was to decline (p 302).
153. A number of witnesses suggested that the argument that immigrants are needed to help maintain the UK pension system is greatly overstated. First, immigrants too grow old and eventually add to the old-age population drawing pensions.
154. Second, as Lord Turner of Ecchinswell pointed out in his recent lecture at the London School of Economics (LSE), arguments for high immigration to reduce the dependency ratio are usually made on the basis of figures which assume that the retirement age remains unchanged, an assumption he described as “absurd”.⁶³ Lord Turner argued that as people live longer, it is reasonable to assume that the extra years of life are divided between working years and retirement so as to keep roughly stable the proportions of life spent working and retired. Under this assumption, half of the projected increase in the dependency ratio disappears, when compared with the simplistic case in which the retirement age stays unchanged.
155. This principle of proportionally measuring retirement ages is reflected in government policy for the state pension age, which will now rise from today's level of 60 for women and 65 for men, to reach 68 by 2046. This is appropriately reflected in the GAD's latest 2006-based projections for the dependency ratio. As a result, despite the fact that the latest projections incorporate higher than previous estimates of life expectancy, the 2006 Projections (shown in Table 5) show lower increases in dependency ratios than previous projections. As Professor Rowthorn pointed out, the latest

⁶³ Lord Turner of Ecchinswell, 'Do we need more immigrants and babies?' London School of Economics, 28 November 2007

projections suggest that in the “zero migration” scenario (zero immigration and zero emigration) the dependency ratio is now projected to rise from 60.7% in 2006 to 73.6% in 2056, and not the 82.4% predicted under the 2004-based projections, which made the unrealistic assumption of an unchanging retirement age. A more reasonable “balanced” scenario (zero net migration with immigration equal to emigration) produced by Professor Rowthorn, suggests a dependency ratio increase to 68.2% (p 26).

156. It should be noted, however, that the 2006-based projections still overstate the very long-term dependency burden, since they assume that increases in retirement age will cease after 2046 (the furthest date covered by present legislation). On the more realistic assumption that by 2056 a further year will have been added to state pension age (taking it to 69) in line with the principle of fixed working / retirement proportions, the Principal Projection dependency ratio at 61.0% will be only minimally higher than in 2006, and even zero migration will produce a figure of about 70%.
157. It does not therefore seem reasonable to argue that immigration at or above the current Principal Projection level of 190,000 a year is essential to avoid an unsustainable increase in the dependency ratio. And, as Lord Turner pointed out, a policy of seeking to keep the dependency ratio down via high immigration would require not just a period of high immigration and population growth, but permanent population growth and an ever increasing absolute level of net immigration given that immigrants themselves grow old.
158. **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 as people live longer, and ignore the fact that, in time, immigrants too will grow old and draw pensions. Increasing the official retirement age will significantly reduce the increase in the dependency ratio and is the only viable way to do so.**

TABLE 5

Projected changes in the UK’s dependency ratios* (%), 2006–2056

	Assumed net annual immigration (millions)	Dependants per 100 working age pop.			
		2006	2031	(GAD Figure) 2056	(SPA=69) 2056
High Migration	0.250	60.7	63.1	62.9	60.0
Principal Projection	0.190	60.7	63.9	63.9	61.0
Low Migration	0.130	60.7	64.6	65.1	62.2
No migration (natural change only)	0	60.7	68.2	73.6	70.2
Balanced Migration	0	60.7	66.5	68.2	n/a

*The total dependency ratio is defined as the number of children plus pensioners divided by the working age population. The GAD figures define the upper age limit of the working population as the State Pension Age, which will rise to 66 in 2026, 67 in 2036 and 68 in 2046. The first four scenarios are from the GAD 2006 based projections. The Balanced Immigration scenario is from Professor Rowthorn—a dependency ratio for 2056 with a state pension age of 69 was not available. (p 27) SPA—State Pension Age.

CHAPTER 6: RISING POPULATION DENSITY: IMPACTS ON HOUSING AND WIDER WELFARE ISSUES

159. The UK economy has adjusted to immigration in various different ways but there is one factor of production that is fixed in supply: land. Consequently, rising net immigration—which remains highly regionalised—leads to an increase in the population density.
160. Rising population density has important economic impacts, some of which are difficult to measure. This chapter focuses on the impacts on housing but it also briefly discusses wider effects of increased population growth.

Demand for housing

161. The surge in property prices over the last 15 years has made the shortage of affordable housing an urgent political issue. In the summer of 2007, the Prime Minister unveiled a new target of building 3 million homes by 2020.⁶⁴ This new house-building target followed government projections suggesting that the number of households in England will rise by 223,000 during the period 2004–26—equivalent to almost 5 million new households in total.⁶⁵ Much of this projected growth is due to more people choosing to live alone. It is also important to note that the number of new households is not the same as the number of new houses needed as, for example, existing houses can be converted into flats to accommodate more households.
162. Relatively little attention has been paid to the impact of immigration on housing which was not even mentioned in the Government's extensive written evidence to our inquiry. This is surprising as about a third of the projected household growth in England over the next 15–20 years is due to net immigration, according to Professor Christine Whitehead of the London School of Economics. Professor Whitehead added that in London about two-thirds of the projected increase in households until 2021 will be due to immigration⁶⁶ (Q 349).
163. Apart from high-income earners, immigrants tend to demand less housing, on average, than UK-born persons. But immigrants who stay in the UK choose to live in smaller households over time, which means their housing demand becomes more similar to that of residents. Professor Whitehead suggested that in around 15–20 years an immigrant's housing demand converges to that of the average UK-born person (Q 350). In the long-run indeed, if the trend to smaller average household size reaches a limit, if the immigrants are reasonably successful within our society, and if the natural rate of population increase arising from fertility is roughly nil, then all of the increase in the number of households and thus pressure on housing supply will arise from net immigration.
164. **Given the difficulties of meeting the demands for housing, the Government should assess the impact of immigration on Britain's housing provision.**

⁶⁴ Statement by the Prime Minister on Draft Legislative Programme, 11 July, 2007, Hansard, Column 1449.

⁶⁵ New projections of households for England and the regions to 2029, Department for Communities and Local Government, 16 March 2007 available at: <http://www.communities.gov.uk/news/corporate/new-projection-households>

⁶⁶ Also see *The Impact of Recent Immigration on the London Economy*, London School of Economics and the City of London, July 2007, p 33–35

House prices and rental market

165. The majority of recent immigrants live in the private rented sector. Nevertheless, Professor Whitehead said it had been “a great surprise” to find that “private rents have not been rising in anything like the extent that we would have expected” at the lower end of the market. Private rents have broadly stabilised since the turn of the century (Q 350). The answer to this apparent paradox is likely to lie with the quality of the housing taken up by new immigrants and the number of people living in each property.
166. Helen Williams of the National Housing Federation (NHF) found “evidence that rather than consuming more housing it is actually a case of people being more overcrowded in houses and hence why there has not been a straightforward relationship with pressure on rents” (Q 351). Adam Sampson of Shelter spoke of “a large number of people who are willing to rent in fairly appalling conditions in some areas” (Q 352).
167. Ms Williams suggested that part of the reason for this is that many immigrants, especially those here for a relatively short time, want to “maximise their profit from their experience in this country and send as much of their money home as they possibly can. Under those circumstances, they are willing to tolerate quite appalling housing conditions because that means that the rents are very low” (Q 357).
168. In some cases, Ms Williams told us, immigrants have taken up poor quality properties vacated by students (Q 351). Mr Sampson said that landlords, especially those of poor quality housing, have benefited from the recent immigration which has helped maintain demand in areas that would have otherwise seen a decline in rents (Q 352).
169. Many recent immigrants live in private rented accommodation. But rents overall have been largely unaffected as some have crowded into existing properties and rented poor quality housing shunned by the local population.
170. Professor Whitehead and Mr Sampson noted that immigration also impacts on house prices, both directly through higher demand for houses by immigrants and indirectly through boosting the buy-to-let market (Q 352). Goldman Sachs have estimated that a 1% increase in the number of households raises house prices by 8% in the short run for a given stock of housing and by 6% once the house-building has responded to higher prices over the longer term.⁶⁷
171. Professor Nickell, who advises the Government on affordable housing, said that since 2000 the ratio of average house prices to average annual earnings had risen from four to seven. If net immigration had been zero, house prices would, according to Professor Nickell, still have risen to 6.5 times average income (Q 49). Professor Nickell also forecast that, if the current rate of house building is sustained for the next 20 years, house prices will rise to 9.3 times average income if there is zero net migration. But if there is 190,000 net immigration each year, house prices will rise to 10.5 times average income—13% higher than they would be with zero migration (p 33).
172. **Immigration is one of many factors contributing to more demand for housing and higher house prices. We note the forecasts that, if**

⁶⁷ Goldman Sachs Global Economics Paper No. 159, Europe’s Immigration Boom: Causes and Consequences, July 26, 2007, p 11.

current rates of net immigration persist, 20 years hence house prices would be over 10% higher than what they would be if there were zero net immigration. Housing matters alone should not dictate immigration policy but they should be an important consideration when assessing the economic impacts of immigration on the resident population in the UK.

Housing conditions, homelessness and social housing

173. Many local authorities giving evidence to us—Belfast, Slough, Westminster as well as the LGA—expressed concern about the increased vulnerability of A8 nationals in poor quality overcrowded homes sometimes with a high fire risk (pp 404, 274, 278, 259). One authority, according to the LGA, put the costs of inspections to tackle this issue at £400 per property (p 259).
174. Slough Council told us that it has evidence of a rapid increase in the number of households with multiple occupations. Currently, it has 1,050 such homes on its records. The council calculates that it will take over £400,000 of new funding to make these homes meet legal requirements” (p 274). Mr Sampson of Shelter suggested that, in the short term, overcrowding could have negative spillover effects for other properties in the area (QQ 357, 358).
175. **Given the evidence that some immigrants have moved into properties suffering from a poor state of repair and/or overcrowding, the Government should assess whether its housing standards are being compromised and whether more inspections are necessary.**
176. So far, demand from immigrants for social housing has been relatively low, partly because many immigrants are not eligible for social housing upon arrival (NHF p 224). The NHF reported that, from April 2006 to March 2007, 4.3% of a total of 150,522 housing association lettings were taken up by non-UK nationals including 1% by A8 nationals. A8 nationals were more likely than others to report a loss of tied accommodation or racial harassment as the reasons they needed help with housing. The NHF said that overcrowding in previous accommodation was also often cited as a problem (p 224).
177. Although many immigrants are renting accommodation privately, there is a knock-on effect for local authorities’ social housing provision. Westminster City Council told us: “There is a considerable degree of competition for rented housing accommodation, in which pool the city council also fishes for its own social housing provision. So it makes it much more expensive—it is an indirect effect, not a direct cost” (Q 449).
178. As A8 immigrants do not have the right to social housing until they have been employed in the UK for one year, many A8 nationals without a home are not formally classed and counted as homeless. Only a few hundred A8 immigrants were recorded as homeless in 2006. Mr Sampson said: “That number of people who are formally accepted as homeless is likely to increase over time as those new economic European migrants gain rights” (Q 360). Hammersmith and Fulham Council said a minority of new immigrants have found themselves unemployed and living on the streets, placing a burden on publicly funded hostels and day care centres. The largest local homelessness project in the borough has recruited Polish-speaking workers (p 467).
179. According to a survey carried out by Westminster Council in 2006, around half the rough sleepers in central London are A8 immigrants (p 279). A

survey by Homeless Link found that among rough sleepers in Greater London, 18% were from the A8 countries, Bulgaria or Romania.⁶⁸ Mr Sampson said that in Hammersmith and Fulham about 50% of recognised street drinkers are European immigrants. “The vast majority of shelters that are on offer to them can only be paid for by housing benefit” (Q 360).

180. **The present and likely future scale of homelessness among A8 and non-EU immigrants should be thoroughly assessed as a first step to determining the implications of recent immigration for social housing provision.**

Wider welfare issues

181. In addition to its direct impact on the housing market, increasing population density raises wider welfare issues with consequences for the living standards of UK residents. For example, the English countryside is an environmental amenity of great value and a substantial rise in population, however caused, is likely to diminish it. Rising population density will also increase the demand for infrastructure including roads and airports, decrease the per capita living space available to residents, and reduce the space available for public parks and green fields. Although some of these developments can be opposed on environmental grounds, many of the wider welfare consequences of rising population density are highly subjective and difficult to measure. Different people will have different views about whether or not an increasingly crowded environment is desirable.
182. It is also clear that, given the uneven distribution of net immigration and population density across the UK, some of the issues arising from increasing population growth are of greater concern in more crowded areas of the country such as the southeast of England. As Mr Portes of the DWP pointed out: “If everybody wanted to live in London and the South East that would have quite different implications to a much more even spread” (Q 524). Scotland, which is considerably less crowded than England, has set a policy of attracting immigrants to work and live there to stem the decline of the population and reduce its dependency ratio (pp 501–02).
183. Despite their partial subjectivity and regional concentration, the wider welfare consequences of rising population density need to be considered in a serious manner, as many of them will involve economic consequences. For example, Lord Turner, in his LSE lecture, explained how a home owner, faced with a new noisy motorway or rail line nearby, would often be compensated for the loss in value of their home. Such compensation costs will rise as population density increases, creating a clear economic impact. Failure to compensate fully for the loss of individuals’ welfare in such cases will, according to Lord Turner, lead to more “Nimbys” (Not In My Back Yard), who attempt to block public infrastructure and transport developments. Lord Turner argued that Nimbys are more prevalent in Britain than France or the US due to the much higher population density in the UK. It is thus the UK’s higher population density, rather than its

⁶⁸ Homeless Link, Central and Eastern European Rough Sleepers in London: Baseline Survey, February 2008. Available at: <http://www.homeless.org.uk/policyandinfo/issues/EU10s/basesurvey>

planning system, which often makes it much slower and more costly to build large infrastructure projects compared to other countries.⁶⁹

184. Lord Turner also suggested that a higher population density makes trade-offs more difficult, for example, between the need to build more roads to cope with the transport needs of larger population and the environmental damage, such as noise and loss of countryside. Although such trade-offs exist everywhere, Lord Turner argued that they become even more difficult in countries with higher population density.⁷⁰
185. **In addition to its direct impact on the housing market, rising population density creates wider welfare issues and consequences for the living standards of UK residents. These wider welfare issues are potentially significant but in practice difficult to measure and, in part, highly subjective. They do, however, involve economic impacts on, for example, the cost and speed of implementation of public infrastructure projects. It is therefore important to include them in the debate about the economic impacts of immigration. Yet the Government appears not to have considered these issues at all. These wide-ranging impacts should be assessed urgently and the conclusions reflected in public policy as appropriate.**

⁶⁹ Lord Turner of Ecchinswell, 'Do we need more immigrants and babies?' London School of Economics, 28 November 2007.

⁷⁰ Ibid

CHAPTER 7: IMMIGRATION POLICY

Objectives and limitations of UK immigration policy

186. We now come explicitly to the question of public policy—the Government’s present policies and our own proposed approach. As a background to this issue, we first summarise some of the conclusions we have already reached, against which policy has to be measured:
- The scale of net immigration in recent years has been unprecedented in our history. Net immigration has added 1.5 million to our population over the last ten years. Two-thirds of these have come from the continents of Asia and Africa.⁷¹
 - If net immigration continues at its present rate, as the Government Actuary’s Department assume in their principal population projection, the total population in 2031 will be 6 million higher than if there were balanced migration (with emigration equal to immigration), and by 2081 it will be almost 21 million higher.
 - It is likely there will continue to be significant positive net migration from EU countries. As discussed below, we have no control over this, but it needs to be taken into account when considering what policies to adopt towards non-EU immigration, over which we do have control.
 - Significant gross immigration of highly skilled non-EU nationals may well be desirable. There may also be important dynamic gains from the exchange and movement of people. A different issue is how much overall net immigration is desirable. Our general conclusion is that the economic benefits of positive net immigration are small or insignificant. So the policy judgment has to be based on other criteria, including diversity and social cohesion and the advantages or disadvantages of a growing population. In this context it should be noted that, even if there were no net immigration, there would still be substantial gross immigration; the immigrant share of the population would still grow steadily and most employers of immigrants could employ at least the same number of immigrants as at present.
 - Thus we believe that in formulating its policy towards the entry of non-EU nationals, **the Government should explicitly take into account the likely impact on the future size and composition of the UK population. The Government should review the implications of its projection that overall net immigration in future years will be around 190,000 people—an annual amount equal to the population of Milton Keynes. The Government should have an explicit and reasoned indicative target range for net immigration, and adjust its immigration policies in line with that broad objective.**
187. Clearly, there are numerous potential objectives of immigration policy, such as: honouring human rights obligations; maximising economic benefits and minimising distributional costs for the resident population; minimising fiscal costs; and maintaining social cohesion and national security. Immigration policy objectives may also take account of the interests of immigrants and

⁷¹ See Table 2

their countries of origin (for instance, minimisation of brain drain and promotion of economic development in immigrants' countries of origin).

188. **In our view, the primary economic consideration of UK immigration policy must be to benefit the resident population in the UK, although we recognise that there are important practical constraints on the capacity of the UK to control immigration: EU membership, human rights considerations and illegal immigration.**
189. First, the UK, as a member of the EU, cannot currently influence the number or selection of EEA nationals—including A8 workers and A2 workers (Romanians and Bulgarians)—coming to the UK. The UK can and does, however, regulate the new EU nationals' access to legal employment in the UK.⁷² A8 workers can freely take up employment in the UK but, unless exemptions apply, they must register in the Worker Registration Scheme. In 2004, the Government said the scheme would “be in place for an initial period of five years”.⁷³ In contrast, the employment of Romanians and Bulgarians (who joined the EU in January 2007) continues to be restricted through the work permit system. This restriction must be lifted by 2014 at the latest.
190. Second, although the UK can, in theory, regulate the immigration of all those from outside the EEA, policy toward asylum seekers/refugees and family/dependants of British citizens and other permanent residents in the UK is largely determined by human rights considerations.⁷⁴⁷⁵ These include the rights to freedom from persecution and to family reunion. In 2006, the number of asylum applications in the UK was 28,320 (including dependants).⁷⁶ About 85% of applications were made in-country, that is by people who had already entered the UK, rather than at port. According to the Home Office, in 2006, 59,810 persons were given “leave to remain” (also

⁷² Long before EU enlargement on 1 May 2004, the EU-15 and the 10 accession countries agreed on a ‘transitional system’ that would allow the old member states to continue to restrict employment of accession state workers. The restrictions can be in place for a maximum period of seven years after enlargement. See European Commission (2002) *Free Movement for Persons—A Practical Guide for an Enlarged European Union*, downloadable at <http://europa.eu.int/comm/enlargement/negotiations/chapters/chap2/>.

⁷³ Home Office Press Release, Regulations laid for Worker Registration Scheme for new EU members, March 25, 2004

⁷⁴ The UK is a signatory to the 1951 United Nations Convention Relating to the Status of Refugees which lays down basic minimum standards for the treatment of refugees and includes the principle of *non-refoulement*, i.e. that “no Contracting state shall expel or return (“*refouler*”) a refugee, against his or her will, in any manner whatsoever, to a territory where he or she fears persecution” (see <http://www.unhcr.org/protect/PROTECTION/3b66c2aa10.pdf>). Following the Human Rights Act 1998, the UK must also adhere to the European Convention on Human Rights (see <http://conventions.coe.int/Treaty/en/Treaties/Html/005.htm#FN1>) “which prevents us sending someone to a country where there is a real risk they will be exposed to torture, or inhuman or degrading treatment or punishment” (Home Office website on asylum in the UK).

⁷⁵ Evidence provided by the Home Office explains that UK immigration rules currently provide for the following family members of British citizens or settled persons to enter or remain in the UK: fiancés, proposed civil partners, spouses, civil partners, unmarried partners, same sex partners, children, parents, grandparents and other dependent relatives. To qualify for entry and legal residence in the UK, an individual needs to demonstrate that they meet the requirements of current Immigration Rules (as described in Appendix 10).

⁷⁶ Excluding dependants there were 23,610 applications for asylum. Of these applications 6,225 (26.4%) resulted in grants of asylum (9.8%), humanitarian protection/discretionary leave (8.9%) or in allowed appeals (7.7%), according to the Home Office Statistical Bulletin 14/07, August 2007, Asylum Statistics United Kingdom 2006. However, a proportion of the applications made for asylum in 2006 were still awaiting the outcome of an initial decision or an appeal when the Home Office figures were published.

known as grant of settlement) as a family member or dependant of a permanent UK resident, including 42,725 partners, 9,290 children, 1,470 parents and grandparents and 6,325 persons classified as “other” (see Appendix 10).

191. The consideration of these rights is beyond our remit although we note that, whilst the rights of asylum seekers may be considered inalienable, those of family members and dependants could be modified if the Government chose to do so.⁷⁷
192. The current constraints on the capacity of the UK to regulate immigration have major implications for UK immigration policy. EEA nationals, and non-EEA nationals who come to the UK as asylum seekers/refugees or as family members/dependants of British citizens or other permanent residents, currently constitute about half of all immigration of foreign nationals in the UK.⁷⁸ In other words, under current policies in respect of family members and dependants, only half of all foreign persons currently migrating to the UK are “managed migrants” in the sense that their admission to the UK is regulated, though clearly the number of managed migrants in turn affects the number of family members who follow.
193. Managed migrants include non-EEA nationals entering as students (309,000 in 2006), work-related migrants (about 167,000)⁷⁹, and their dependants⁸⁰. In 2006 there were 17,000 dependants of students and 48,500 dependants of work permit holders (see Table 1, Appendix 11). To regulate the entry of these categories of immigrant, a balanced approach is required, under which rights considerations are important but not necessarily decisive.
194. Moreover, **rather than serving only the exclusive interest of employers, policy should reflect a balancing of the interests of resident workers, employers and other groups among UK residents. The assessment of the scale and composition of immigration that most benefits UK residents must be based on research and evidence on the economic and other impacts of immigrants.**
195. A more general limitation on the application of immigration policy stems from the inability of nation states to exercise complete control over the immigration (entry) and employment of non-nationals. Many, perhaps the majority, of the UK’s illegally resident immigrants have legally come to the UK as visitors and overstayed their visas. Although the extent to which high income countries can control immigration in practice is disputed, it is unrealistic to expect that it is possible to eliminate all illegality in entry and employment of immigrants in the UK. “Unintended consequences” are a

⁷⁷ For example, Austrian citizens or permanent residents wishing to bring a spouse from overseas to live with them in Austria must prove that they can support their spouse financially by having an income at or above the minimum wage. This is a major barrier for the spouses of those receiving social benefits.

⁷⁸ This calculation was carried out as follows. In 2006, ONS data from the International Passenger Survey suggest that a total of 510,000 non-British persons came to the UK. This included 167,000 nationals of one of the EU25 countries (ONS 2007, TIM tables 1991–2006). In the same year, Home Office data suggest that there were 28,320 asylum seekers (Home Office 2007) and 59,810 family members/dependants of British citizens or other permanent residents in the UK (See table at the end of Appendix 10).

⁷⁹ Work-related migrants was calculated from Table 1 in Appendix 11 by adding together the number of work-permit holders, working holiday makers, seasonal agricultural workers and domestic workers.

⁸⁰ As shown in Appendix 8, students and work permit holders currently have the rights to bring any children/over-age dependant/spouse/unmarried partner/civil partner to the UK as dependants.

common theme in discussion of immigration policies around the world. There are many examples of migration policy failures and few (or, some would argue, no) “best practices” in immigration control.

Key issues in the current reform of the UK’s immigration policies

196. In early 2008, the Government began to phase in a new partially “points-based” system for managing the migration of non-EEA nationals to the UK.⁸¹ The immigration of family/dependants and asylum seekers/refugees will remain outside the new system. Students are included. The planned new system will have five Tiers:
- Tier 1: Highly skilled migrants (launched in the first quarter of 2008)
 - Tier 2: Skilled migrant workers (to be launched in the third quarter of 2008)
 - Tier 3: Low-skilled workers (currently no programmes planned)
 - Tier 4: Students (early 2009)
 - Tier 5: Youth mobility and temporary workers (third quarter of 2008)
197. The current and the new immigration systems are described in Appendices 11 and 12, respectively. This section focuses on key policy issues in the reform of the UK immigration system.

Points-based system

Tier 1

198. The Migration Policy Institute has said that calling the new set-up a “points-based system” is a “misnomer” and has described it as “a hybrid, five-tiered economic migration selection system (p 479). Tier 1 is the only part of the new system that resembles the basic structures of the points systems in Australia and Canada. We endorse the use of a points-based system for regulating the immigration of highly skilled migrants from outside the EEA. However, there are significant problems that Tier 1 will need to address, including finding an effective way of checking and certifying the skills and educational qualifications of applicants, as well as assessing their previous earnings outside the UK. Furthermore, as the Canadian experience has shown, it cannot simply be assumed that highly skilled migrants will be able to find jobs in the UK that correspond to their skills. In Canada, a significant share of skilled migrants admitted under the points system cannot access high-skilled jobs, mainly because employers discount work experience abroad and place more emphasis on work experience in Canada.⁸²

Tier 2

199. Plans for Tier 2 suggest that it will essentially remain a work permit system that is not too dissimilar from current policies for skilled migrants. However, there are some important changes, in particular the requirement for an English language test and the establishment of the Migration Advisory Committee (MAC) that will now recommend the list of shortage

⁸¹ See The Points-Based System, Border & Immigration Agency, Home Office at: <http://www.bia.homeoffice.gov.uk/managingborders/managingmigration/apointsbasedsystem/>

⁸² Reitz, J. (2005), Tapping Immigrants’ Skills’ *Choices* 11(1) www.irpp.org

occupations. Tier 2 provides for four different routes to getting a work permit: (i) shortage occupation; (ii) intra-company transfer; (iii) minimum salary threshold; and (iv) labour market test plus criteria relating to the applicant's qualifications and prospective earnings in the UK (see Appendix 12). For Tier 2 to constitute a rational immigration programme that benefits the UK, the Government needs to ensure that these different routes are consistent with each other and effectively implemented. The Government has said that it will begin to enforce more strictly the labour market test—where employers have to show they tried to recruit within the EEA but were unable to do so. But it has not explained how this will be achieved. The effectiveness of the current and future labour market test is questionable. A failing labour market test adversely affects employment opportunities of resident skilled workers.

200. The Government has not explained how it will decide on the minimum earnings threshold under entry route (iii) within Tier 2. It is also not clear how this entry route relates to other routes including the list of shortage occupations drawn up by the MAC. There is a clear danger of inconsistencies and overlap between the various routes of entry within Tier 2. It is also unclear how Tier 2 relates to Tier 1 or which tier the Government considers more desirable and how potential overlaps and conflicts between the various components of the overall points-based system will be avoided.
201. In drawing up the list of shortage occupations, the MAC should ensure that employers have made serious efforts to recruit British or other EEA nationals, and seriously considered other alternatives for filling vacancies, before claiming that there is a shortage. There is a substantial pool of skilled labour within the EEA. The MAC must carefully scrutinise employers' claims about staff shortages and ensure that the employment and training opportunities of British and other EEA workers are not adversely affected by granting employers fast and easy access to non-EEA migrants through the shortage occupation list.
202. Tiers 1 and 2 contain some new and potentially effective elements of immigration policy. However, it is not clear whether the new system will in fact constitute the radical overhaul of the UK's immigration system suggested by the Government. Furthermore, some of the plans are still very vague (especially for Tier 2) and it is unclear how they will work in practice. Importantly, it is currently unknown how Tiers 1 and 2 will affect the number of non-EEA migrants coming to the UK. The new system may lead to an increase or a decline in numbers. Given these unknowns, the Government needs to monitor carefully how Tiers 1 and 2 will work in practice.
203. The public needs to be informed about the effectiveness and consequences of the new immigration system. To achieve this, **the Government should publish periodic Immigration Reports that include the latest data on non-EEA immigrants entering the UK under the various Tiers of the new system and on immigrants entering as family members/dependants or as asylum seekers/refugees.** Such a report could follow the model of the Accession Monitoring reports for A8 workers which the Government publishes quarterly.

Tier 3

204. **We endorse the Government's view that all low-skilled vacancies should be met from within the EEA.**

Temporary or Permanent?

205. A key issue is which channels of immigration should lead to settlement and citizenship and which ones should be strictly temporary. Many countries operate temporary routes for low-skilled migrants and permanent routes for skilled and highly skilled migrants. Highly skilled migrants will not come to the UK if they are not offered adequate rights.
206. There is considerable international debate about the desirability and feasibility of temporary immigration programmes (also commonly referred to as “guest worker programmes”). The principal objections are: (i) guest worker programmes do not work as there is no effective mechanism that can ensure that immigrants go home after their work permits expire (“there is nothing more permanent than temporary migrants”); and (ii) it is unethical to restrict immigrants’ length of stay unless they stay for very short period of time only (such as seasonal workers). Many people argue that the longer immigrants stay in a country, the stronger their claims for permanent residence and citizenship. But all this is contested and subject to a lively international debate.
207. **The Government should give further consideration to which channels of immigration should lead to settlement and which ones, if practicable, should be strictly temporary.**

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

Key features of immigration and migrants in the UK

208. Government policy can help immigrants raise their productivity and outcomes in the British labour market. In particular, given that language proficiency can be a key factor to economic success in the British labour market, the Government should consider whether further steps are needed to help give immigrants who come and take up employment in the UK access to English language training (para 38).
209. There is a clear and urgent need to improve the data and information about gross and net migration flows to and from the UK, and about the size, geographical distribution and characteristics of the immigrant stock (para 39).
210. It is unrealistic to expect that the Government can have complete data on migration. The key questions are how, by how much, and at what cost, the current gaps in the available data can be reduced. But clearly there is ample room for improvement in UK migration statistics. The Government should make a clear commitment to improving migration statistics and facilitating more comprehensive assessments of the scale, characteristics and impacts of immigration (para 43).

Impacts on the labour market and macro-economy

211. Immigration creates significant benefits for immigrants and their families, and, in some cases, also for immigrants' countries of origin. An objective analysis of the economic impacts of immigration on the UK should focus on the impacts on the resident (or "pre-existing") population in the UK (para 48).
212. GDP—which measures the total output created by immigrants and residents in the UK—is an irrelevant and misleading measure for the economic impacts of immigration on the resident population. The total size of an economy is not an indicator of prosperity or of residents' living standards (para 49).
213. GDP per capita is a better measure than GDP because it takes account of the fact that immigration increases not only GDP but also population. However, even GDP per capita is an imperfect criterion for measuring the economic impacts of immigration on the resident population because it includes the per capita income of immigrants (para 50).
214. Rather than referring to total GDP when discussing the economic impacts of immigration, the Government should focus on the per capita income (as a measure of the standard of living) of the resident population (para 51).
215. 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 (para 66).
216. Although possible in theory, we found no systematic empirical evidence to suggest that net immigration creates significant dynamic benefits for the resident population in the UK. This does not necessarily mean that such effects do not exist but that there is currently no systematic evidence for

them and it is possible that there are also negative dynamic and wider welfare effects (para 69).

217. The available evidence suggests that immigration has had a small negative impact on the lowest-paid workers in the UK, and a small positive impact on the earnings of higher-paid workers. Resident workers whose wages have been adversely affected by immigration are likely to include a significant proportion of previous immigrants and workers from ethnic minority groups (para 78).
218. Effective means must be found for enforcing the law against employers who illegally employ immigrants or who employ immigrants at wages and employment conditions that do not meet minimum standards (para 79).
219. The available evidence is insufficient to draw clear conclusions about the impact of immigration on unemployment in the UK. It is possible, although not yet proven, that immigration adversely affects the employment opportunities of young people who are competing with young migrants from the A8 countries. More research is needed to examine the impact of recent immigration on unemployment among different groups of resident workers in the UK (para 85).
220. Our recent report on apprenticeship and skills argued that the Government was not doing enough to develop high quality apprenticeships. Although the evidence is limited, there is a clear danger that immigration has some adverse impact on training opportunities and apprenticeships offered to British workers. The Government should consider further measures to ensure that employers recruiting migrants are also investing in training and skills development of British workers (para 93).
221. 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 (para 97).
222. In the short term, immigration may put pressure on the employment opportunities of young people. In the long run, the economic impacts of immigration on the resident population are likely to be fairly small. Thus a key question is how quickly the economy adjusts to immigration. Much more empirical work might usefully be done on the labour market and macroeconomic impacts of immigration in the UK (para 98).

Immigration and labour shortages

223. Although clearly benefiting employers, immigration that is in the best interest of individual employers is not always in the best interest of the economy as a whole (para 102).
224. Because immigration expands the overall economy, it cannot be expected to be an effective policy tool for significantly reducing vacancies. Vacancies are, to a certain extent, a sign of a healthy labour market and economy. They cannot be a good reason for encouraging large-scale labour immigration (para 104).

225. Government policy is to ensure that employers make efforts to recruit British or other EEA workers before turning to migrants from outside the EU. How effective this policy has been is unclear and we urge the Government to ensure it is properly monitored. Our concern is to avoid the development of a specific demand for immigrant workers that is based on immigrants' lower expectations about wages and employment conditions or on a preference for labour whose freedom of employment in the UK is constrained by the worker's immigration status (para 108).
226. Immigration keeps labour costs lower than they would be without immigrants. These lower labour costs also benefit consumers, who then pay less than they otherwise would for products and services (including public services) produced or provided by immigrants (para 113).
227. Ready access to cheap migrant labour may reduce employers' incentives to consider other options, in particular changing production methods (para 118).
228. We recognise that many public and private enterprises currently rely upon immigrants—from the NHS to City institutions, from the construction industry to residential care. We do not doubt the great value of this workforce from overseas to UK businesses and public services. Nevertheless, the argument that sustained net immigration is needed to fill vacancies, and that immigrants do the jobs that locals cannot or will not do, is fundamentally flawed. It ignores the potential alternatives to immigration for responding to labour shortages, including the price adjustments of a competitive labour market and the associated increase in local labour supply that can be expected to occur in the absence of immigration (para 122).
229. Immigration designed to address short term shortages may have the unintended consequence of creating the conditions that encourage shortages of local workers in the longer term (para 123).
230. We recognise that there is a case for enabling employers to hire significant numbers of highly-skilled foreign workers. But whether this implies positive net migration is another issue (para 124).

Impacts on public services and public finance

231. While the overall fiscal impact of immigration is small, this masks significant variations across different immigrant groups (para 133)
232. Immigration has important economic impacts on public services such as education and health. The current information and data available to assess these impacts are very limited. The launch of the Migration Impacts Forum is a welcome development but so far it has not produced any systematic evidence needed to assess the economic costs and benefits of immigration for public services. The Government should give priority to ensuring the production of much more information in this area (para 148).
233. More work needs to be done—by both central and local government—to assess whether and how much extra funding for local services is needed because of increased immigration. The Government should ensure that local councils have adequate funding to provide and pay for the increasing demand for public services (para 151)
234. 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 as people live longer, and ignore the fact that, in time, immigrants too will grow old and draw pensions. Increasing the official retirement age will significantly reduce the increase in the dependency ratio and is the only viable way to do so (para 158).

Rising population density: Impacts on housing and wider welfare issues

235. Given the difficulties of meeting the demands for housing, the Government should assess the impact of immigration on Britain's housing provision (para 164).
236. Immigration is one of many factors contributing to more demand for housing and higher house prices. We note the forecasts that 20 years hence house prices would be over 10% higher, if current rates of net immigration persist, than if there were zero net immigration. Housing matters alone should not dictate immigration policy but they should be an important consideration when assessing the economic impacts of immigration on the resident population in the UK (para 172).
237. Given the evidence that some immigrants have moved into properties suffering from a poor state of repair and/or overcrowding, the Government should assess whether its housing standards are being compromised and whether more inspections are necessary (para 175).
238. The present and likely future scale of homelessness among A8 and non-EU immigrants should be thoroughly assessed as a first step to determining the implications of recent immigration for social housing provision (para 180)
239. In addition to its direct impact on the housing market, rising population density creates wider welfare issues and consequences for the living standards of UK residents. These wider welfare issues are potentially significant but in practice difficult to measure and, in part, highly subjective. They do, however, involve economic impacts on, for example, the cost and speed of implementation of public infrastructure projects. It is therefore important to include them in the debate about the economic impacts of immigration. Yet the Government appears not to have considered these issues at all. These wide-ranging impacts should be assessed urgently and the conclusions reflected in public policy as appropriate (para 185).

Immigration Policy

240. The Government should explicitly take into account the likely impact on the future size and composition of the UK population. The Government should review the implications of its projection that overall net immigration in future years will be around 190,000 people—an annual amount equal to the population of Milton Keynes. The Government should have an explicit and reasoned indicative target range for net immigration, and adjust its immigration policies in line with that broad objective (para 186).
241. In our view, the primary economic consideration of UK immigration policy must be to benefit the resident population in the UK, although we recognise that there are important practical constraints on the capacity of the UK to control immigration: EU membership, human rights considerations and illegal immigration (para 188).
242. Rather than serving only the exclusive interest of employers, policy should reflect a balancing of the interests of resident workers, employers and other

groups among UK residents. The assessment of the scale and composition of immigration that most benefits UK residents must be based on research and evidence on the economic and other impacts of immigrants (para 194).

243. The Government should publish periodic Immigration Reports that include the latest data on non-EEA immigrants entering the UK under the various Tiers of the points-based system and on immigrants entering as family members/dependants or as asylum seekers/refugees (para 203).
244. We endorse the Government's view that all low-skilled vacancies should be met from within the EEA (para 204).
245. The Government should give further consideration to which channels of immigration should lead to settlement and which ones, if practicable, should be strictly temporary (para 207).

APPENDIX 1: ECONOMIC AFFAIRS COMMITTEE

The members of the Select Committee which conducted this inquiry were:

Lord Best*
Lord Griffiths of Fforestfach**
Lord Kingsdown
Lord Lamont of Lerwick
Lord Lawson of Blaby
Lord Layard
Lord Macdonald of Tradeston
Lord MacGregor of Pulham Market*
Lord Moonie*
Lord Oakeshott of Seagrove Bay
Lord Paul
Lord Sheldon
Lord Skidelsky
Lord Turner of Ecchinswell*
Lord Vallance of Tummel
Lord Wakeham

* since 13 November 2007

** since 16 April 2007

The Committee records its appreciation to Dr Martin Ruhs, Centre on Immigration, Policy and Society (COMPAS), Oxford University, for his work as Specialist Adviser for the inquiry.

APPENDIX 2: LIST OF WITNESSES

The following witnesses gave evidence. Those marked * gave oral evidence.

- * Dr Bridget Anderson, Centre on Immigration, Policy and Society (COMPAS), Oxford University
- Audit Commission
- Bank of England
- Belfast City Council
- * Professor David Blanchflower, Monetary Policy Committee
- * Boston Borough Council
- British Hospitality Association
- * British Medical Association
- Professor William Brown, University of Cambridge
- Mr Meyer Burstein
- Business for Europe
- * Liam Byrne MP, Minister of State for Borders and Immigration, Home Office
- Chartered Institute of Personnel and Development
- Professor Barry R Chiswick, University of Illinois
- City of London Corporation
- Professor Linda Clarke, Westminster University
- * Professor David Coleman, Oxford University
- Commission for Racial Equality
- Commission for Rural Communities
- * Confederation of Business Industry (CBI)
- * Construction Confederation
- * Dr Heaven Crawley, University of Swansea
- * Department for Work and Pensions (DWP)
- * Dr Janet Dobson, University College London
- * Dr Stephen Drinkwater, University of Surrey
- Dungannon and South Tyrone Council
- * Professor Christian Dustmann, University College London
- Economic and Social Research Council
- * Professor Allan Findlay, Dundee University
- First Group
- Mr Ian Fitzgerald, University of Northumbria
- Dr Stephen French, University of Keele
- * Home Office
- * Institute for Conflict Research
- * Institute for Public Policy Research (IPPR)
- Learning and Skills Council

- ★ Local Government Association
London Borough of Hammersmith and Fulham
London Borough of Hillingdon
Dr Sonia McKay, Working Lives Research Institute, London Metropolitan University
- ★ Migrants' Rights Network
- ★ Migrant Workers North-West
- ★ Migration Advisory Committee (MAC)
Migration Policy Institute
- ★ MigrationWatch UK
- ★ National Association for Head Teachers
- ★ National Farmers Union
- ★ National Housing Federation
- ★ National Institute for Economic and Social Research (NIESR)
- ★ National Union of Teachers (NUT)
- ★ Professor Stephen Nickell, Nuffield College, Oxford University
- ★ Office for National Statistics (ONS)
- ★ Organisation for Economic Co-operation and Development (OECD)
Dr Pia Orrenius and Professor Madeline Zavodny, Federal Bank of Dallas
Professor Richard Pearson, Visiting Professor at the University of Sussex's Centre for Migration and Research
- ★ Professor Ian Preston, University College London
- ★ Recruitment and Employment Confederation
- ★ Professor Robert Rowthorn, Cambridge University
- ★ Royal College of Nursing
Royal Society of Edinburgh
J Sainsbury plc
- ★ Professor John Salt, University College London
Mr Anthony Scholefield
Scottish Executive
- ★ Shelter
- ★ Slough Borough Council
- ★ Society of Local Authority Chief Executives and Senior Managers (SOLACE) Migrant Workers Group
Statistics Commission
- ★ Trades Union Congress (TUC)
Union of Construction, Allied Trades and Technicians (UCATT)
- ★ UK Home Care Association
Universities UK
- ★ Westminster City Council
- ★ Professor Christine Whitehead, London School of Economics
- ★ Mr Martin Wolf CBE, Financial Times

APPENDIX 3: CALL FOR EVIDENCE

The Economic Affairs Committee has decided to conduct an inquiry into ‘The Economic Impact of Immigration’.

Evidence is invited by 30 September 2007. The Committee will welcome written submissions on any or all of the issues set out below.

Immigration rose much faster than the Government expected after May 2004, when the citizens of eight Central and Eastern European countries gained the right to work in the UK. Over 600,000 have registered to work in the last three years from these eight countries. The unexpected increase has thrown up many questions about the impact on the UK, the quality of data on immigration and the Government’s migration policy.

The Government has argued that immigration has helped Britain achieve its long-running economic boom without triggering high inflation. It also argues that immigrants fill gaps in the labour market.

But others have voiced concerns that not everyone benefits from immigration. Some claim that low-skilled workers in the UK face greater competition for jobs from immigrants, which holds back or even decreases their wages and/or causes more unemployment. Some local councils have warned that the rise in the number of immigrants has put pressure on public services such as schools and hospitals.

Assessing the economic impact has been difficult as precise data on immigration are hard to come by. Last year, the National Statistician unveiled plans to improve estimates of migrant numbers which are “inadequate for managing the economy, policies and services”.

Nonetheless, the unexpected increase led the Government to pursue a less open policy as new countries joined the EU this year. Citizens of Romania and Bulgaria, which joined the EU in January, can visit Britain without a visa but their access to Britain’s labour market remains restricted.

Whilst immigration from Central and Eastern Europe has dominated the headlines, official estimates for 2005 suggest it accounts for under a fifth of immigration into the UK. For migrants from outside the EU, the Government is introducing a new points-based immigration system. Those with more skills and qualifications score higher, which increases their chances of entry into the UK. The Government will give preference to skills where it believes there is a shortfall in the UK.

Immigration has, of course, not only an economic impact on the UK, but also social, cultural and political implications. It is well recognised too that it can have major economic and other implications for the countries of origin of the migrants.

However, this inquiry will focus on the economic impact on the UK. It will seek answers to questions such as:

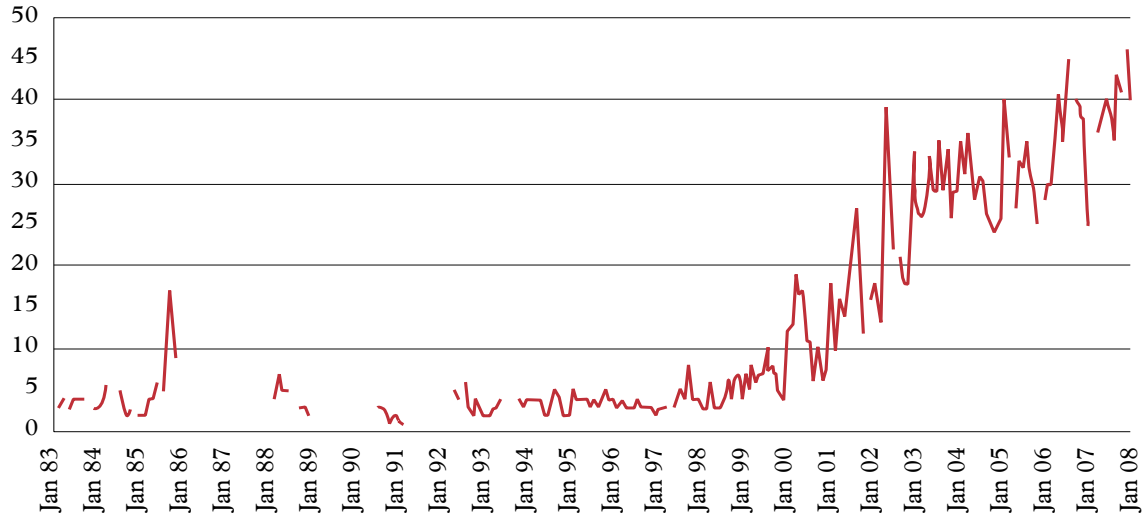
1. What are the numbers and characteristics of recent immigrants—age, gender, country of origin, immigration status, duration of stay, skills and qualifications? How do the characteristics of EU migrants differ from other migrant groups? What are the expected future trends for immigration from within and outside the EU?
2. In what sectors and occupations are immigrants employed? How do migrants’ labour market outcomes—including their employment rates and earnings—compare to those of local workers? What determines migrants’ performance and integration in the UK labour market?

3. Why do employers want to hire immigrants? Which sectors and occupations in the UK economy are particularly dependent on migrant labour and why? What is the impact of immigration on mechanisation and investment in technical change? What are the alternatives to immigration to reduce labour shortages?
4. What impact has immigration had on the labour market, including wages, unemployment and other employment conditions of the UK workforce, and has it differed for skilled and unskilled employees? How does the minimum wage affect the impact of immigration?
5. What is the economic impact of illegal immigration, including on employment, wages and the fiscal balance?
6. What is the economic impact of a net change in the UK population? If there is a net increase, does the impact differ when this comes from higher immigration rather than from changes in birth and death rates?
7. What has been the impact of immigration on key macroeconomic indicators: GDP and GDP per head, unemployment, productivity, investment, inflation and asset prices especially housing? Do the economic effects of immigration vary over time?
8. How does immigration affect the public finances? Do immigrants contribute more in taxes than they use in public services? As the UK population ages, does immigration affect the shortfall in pension funding?
9. How has immigration affected public services such as health care, education and social housing? How has this varied across the country?
10. How does the impact of immigration vary across different regions of the UK?
11. Are there any relevant parallels and lessons for the UK from the economic impact of immigration on other OECD countries?
12. How do differences in migrants' skills affect the economic impact of immigration? Does immigration fill skill gaps? What impact, if any, has immigration had on education and training? What is the relationship between the Government's migration policies and labour market policies?
13. How can data on immigration be improved? What improvements are already being put in place? To what extent have "inadequate data" affected public policy? How confident can we be in forecasts of future immigration and how important is it that such forecasts are accurate?
14. How do the Government's policies, including immigration and labour market policies, affect the scale, composition and impacts of migration? How will the points system for immigrants from outside the EU operate? How will the Government decide where there are skill shortages in the economy as the basis for its points system? What has been the international experience, e.g. in Australia and Canada, of such a points system? How will the Government respond to employers asking for non-EU workers to fill low-skilled jobs?
15. Should more be done to help immigrants boost their productivity in the UK?

APPENDIX 4: IMMIGRATION—PUBLIC OPINION AND NUMBERS

Figure 1

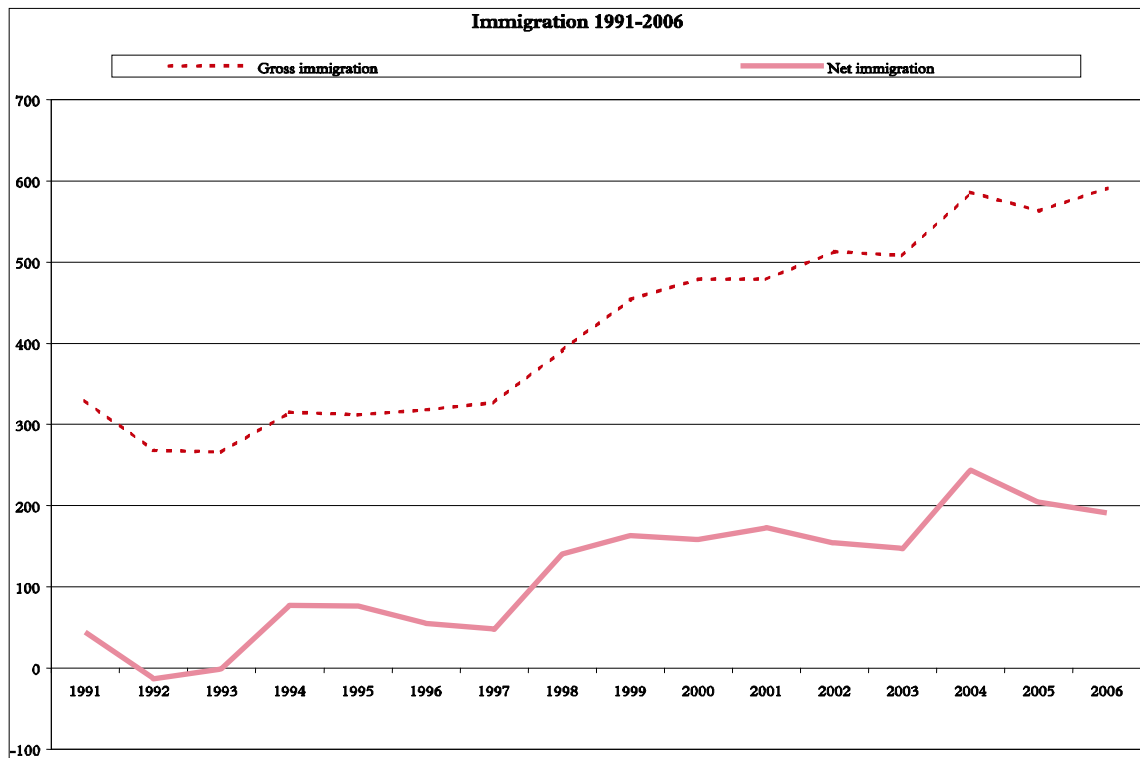
Share of adults mentioning immigration and race relations as the most important issue facing Britain



Source: Ipsos Mori

Figure 2

Immigration 1991–2006 (Thousands)



Source: ONS, Total International Migration (TIM) tables, 1991-

APPENDIX 5: COMPONENTS OF POPULATION GROWTH IN THE UK, 1971–2006

Numbers (thousands)

Mid-year to mid-year	Population at start of period	Total annual change	Components of change (mid-year to mid-year or annual averages)					Population at end of period
			Live births	Deaths	Natural change (Live births – deaths)	Net civilian migration	Other changes	
1971–76	55,928	+58	766	670	+96	–55	+16	56,216
1976–81	56,216	+27	705	662	+42	–33	+18	56,352
1981–86	56,357	+65	733	662	+70	–5	..	56,684
1986–91	56,684	+148	782	647	+135	13	..	57,439
1991–96	57,439	+145	756	639	+117	29	..	58,164
1996–01	58,164	+190	706	623	+83	+107	..	59,113
2001–02	59,113	+210	663	601	+62	+148	..	59,323
2002–03	59,323	+234	682	605	+77	+157	..	59,557
2003–04	59,557	+289	707	603	+104	+185	..	59,846
2004–05	59,846	+393	717	591	+127	+266	..	60,238
2005–06	60,238	+349	734	575	+159	+190	..	60,587

Source: ONS, *Population Trends 130, Winter 2007, pg 53, Table 1.6*

APPENDIX 6: STOCKS OF FOREIGN-BORN POPULATION IN SELECTED OECD COUNTRIES

Stocks of foreign-born population in selected OECD countries

	Thousands														
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	4 084.6	4 164.1	4 258.6	4 315.8	4 334.8	4 373.3	4 417.5	4 482.0	4 565.8	4 655.3	4 751.1	4 829.5
% of total population	23.0	23.0	23.3	23.3	23.2	23.1	23.0	23.1	23.2	22.8	23.6	23.8
Austria	895.7	872.0	843.0	893.9	873.3	923.4	1 059.1	1 100.5
% of total population	11.2	10.9	10.5	11.1	10.8	11.4	13.0	13.5
Belgium	980.9	983.4	999.2	1 011.0	1 023.4	1 042.3	1 058.8	1 112.2	1 151.8	1 185.5	1 220.1	1 268.9
% of total population	9.7	9.7	9.8	9.9	10.0	10.2	10.3	10.8	11.1	11.4	11.7	12.1
Canada	4 762.0	4 867.4	4 971.1	5 082.5	5 165.6	5 233.8	5 327.0	5 448.5	5 568.2	5 670.6	5 774.2	5 895.9
% of total population	16.4	17.2	17.4	17.7	17.8	18.0	18.1	18.4	18.6	18.7	18.9	19.1
Czech Republic	440.1	455.5	434.0	448.5	471.9	482.2	499.0	523.4
% of total population	4.3	4.4	4.2	4.4	4.6	4.7	4.9	5.1
Denmark	225.0	249.9	265.8	276.8	287.7	296.9	308.7	321.8	331.5	337.8	343.4	350.4
% of total population	4.8	4.8	5.1	5.2	5.4	5.6	5.8	6.0	6.2	6.3	6.3	6.5
Finland	106.3	111.1	118.1	125.1	131.1	136.2	145.1	152.1	158.9	166.4	176.6
% of total population	2.0	2.1	2.3	2.4	2.5	2.6	2.7	2.8	2.9	3.2	3.4
France	4 306.0	4 380.8	4 469.8	4 575.6	4 691.3	4 811.6	4 926.0
% of total population	7.3	7.3	7.3	7.3	7.3	7.3	8.1
Germany	8 986.4	9 377.9	9 708.5	9 918.7	10 002.3	10 172.7	10 256.1	10 404.9	10 527.7	10 620.8	..	..
% of total population	11.0	11.5	11.9	12.1	12.2	12.4	12.5	12.6	12.8	12.9	..	..
Greece	1 122.9	..	..	..	..
% of total population	10.3	..	..	..	..
Hungary	283.7	283.9	284.2	286.2	289.3	294.6	300.1	302.8	307.8	319.0	331.5
% of total population	2.8	2.8	2.8	2.8	2.9	2.9	3.0	3.0	3.0	3.2	3.3
Ireland	251.6	271.2	288.4	305.9	328.7	356.0	390.0	416.6	443.0	486.7
% of total population	6.9	7.4	7.8	8.2	8.7	9.3	10.0	10.5	11.0	11.0
Italy	1 446.7	..	..	..	..
% of total population	2.5	..	..	..	..
Luxembourg	123.6	127.7	130.9	134.1	137.5	141.9	145.0	144.8	147.0	148.5	149.6	152.1
% of total population	30.4	30.9	31.5	31.9	32.2	32.8	33.2	32.8	32.9	33.0	33.1	33.4
Mexico	385.2	..	..	..	406.0	..	..	..	..	434.6
% of total population	0.4	..	..	..	0.5	..	..	..	..	0.4
Netherlands	1 407.1	1 433.6	1 469.0	1 513.9	1 556.3	1 615.4	1 674.6	1 714.2	1 731.8	1 736.1	1 734.7
% of total population	9.1	9.2	9.4	9.6	9.8	10.1	10.4	10.6	10.7	10.6	10.6
New Zealand	605.0	620.8	630.5	643.6	663.0	698.6	726.3	748.6	763.6	796.1
% of total population	16.2	16.4	16.5	16.8	17.2	18.0	18.4	18.7	18.8	19.4
Norway	240.3	246.9	257.7	273.2	292.4	305.0	315.2	333.9	347.3	361.1	380.4
% of total population	5.5	5.6	5.8	6.1	6.5	6.8	6.9	7.3	7.6	7.8	8.2
Poland	776.2	..	..	..
% of total population	1.6	..	..	..
Portugal	533.6	529.2	523.4	516.5	518.8	522.6	651.5	699.1	705.0	714.0	661.0
% of total population	5.4	5.4	5.3	5.1	5.1	5.1	6.3	6.7	6.7	6.8	6.3
Slovak Republic	119.1	143.4	171.5	207.6	249.4
% of total population	2.5	..	..	..	3.9
Spain	2 172.2	..	..	..	..
% of total population	5.3	..	..	..	..
Sweden	936.0	943.8	954.2	968.7	981.6	1 003.8	1 028.0	1 053.5	1 078.1	1 100.3	1 125.8
% of total population	10.5	10.7	10.8	11.0	11.8	11.3	11.5	11.8	12.0	12.2	12.4
Switzerland	1 475.2	1 503.2	1 509.5	1 512.8	1 522.8	1 544.8	1 570.8	1 613.8	1 658.7	1 697.8	1 737.7	1 772.8
% of total population	21.1	21.4	21.3	21.3	21.4	21.6	21.9	22.3	22.8	23.1	23.5	23.8
Turkey	1 278.7	..	..	..	..	..
% of total population	1.9	..	..	..	..	..
United Kingdom	3 774.8	3 843.5	3 882.5	3 940.4	4 030.7	4 131.9	4 222.4	4 335.1	4 486.9	4 666.9	4 865.6	5 075.6	5 290.2	5 552.7	5 841.8
% of total population	6.6	6.7	6.7	6.8	6.9	7.1	7.2	7.4	7.6	7.9	8.2	8.6	8.9	9.3	9.7
United States	23 365.5	26 278.9	27 748.8	28 337.1	28 052.4	29 489.0	30 658.1	33 474.4	34 620.3	35 635.5	36 347.6
United States (revised)	24 648.2	27 721.5	29 272.2	29 892.7	29 592.4	31 107.9	32 341.2	35 312.0	36 520.9	37 591.8	38 343.0
% of total population	9.3	10.3	10.7	10.8	10.6	11.0	11.3	12.3	12.6	12.8	12.9

Note: Estimated figures are in italic. Data for Canada, France, Ireland, New Zealand, the Slovak Rep., the United Kingdom and the United States are estimated with the parametric method (PM). Data for Belgium (1995-1999), Czech Republic, Germany, Luxembourg, Portugal and Switzerland are estimated with the component method (CM).

For details on estimation methods, please refer to <http://www.oecd.org/els/migration/foreignborn>.

in red: estimates according to the component method

Source: OECD 2007, *International Migration Outlook 2007*

**APPENDIX 7: PROJECTED POPULATION GROWTH BY COUNTRY
2006–2081**

<i>(millions)</i>	2006	2031	2056	2081
England	50.8	60.4	67.9	74.8
Wales	3	3.3	3.4	3.5
Scotland	5.1	5.4	5.2	4.9
Northern Ireland	1.7	2	2.1	2.1
UK	60.6	71.1	78.6	85.3

Source: Government Actuary's Department (GAD 2007), 2006-based principal projection

APPENDIX 8: RIGHTS AND RESTRICTIONS FOR DIFFERENT TYPES OF IMMIGRATION STATUS OF NON-EEA MIGRANTS

Migrant category	Maximum duration of stay	Right to apply for settlement and citizenship	Access to labour market/ Conditions on right to work	Rights in the labour market	Family reunion
Work Permit Holder (Tier 2 from 3rd Quarter 2008)	Available for up to 5 years. Extendable.	Yes. Time as a work permit holder does count towards settlement and citizenship.	Yes—but only for specified employer in specified role as per work permit application.	Employee tied to employer.	Yes. Work permit holder able to bring any children/ overage dependant/spouse/ unmarried partner/civil partner to the UK as dependants.
Work permit dependant (Tier 2 dependant from 3rd quarter 2008)	Available for up to 5 years and extendable, in line with primary work permit holder.	A dependant can apply for settlement in line with the primary applicant, but time spent as a dependant will not found an independent application.	Yes—subject to statutory laws where underage dependant.	Work permit dependant can work for any employer in the UK i.e. not employer specific permission like primary work permit holder	No. Work permit dependants cannot bring wider family members to the UK—family dependency must tie to primary work permit holder
Highly Skilled Migrant (Tier 1-General from April 2008)	2 year initial grant. 3 year extension on application	Yes. Time as an Highly Skilled Migrant (HSM) does count towards settlement and citizenship.	Yes	Yes—HSM can work for any employer in the UK i.e. not employer-specific permission like work permit holder	Yes. Work permit holder able to bring any children/overage dependant/spouse/unmarried partner/civil partner to the UK as dependants.
Highly Skilled Migrant (Tier 1 general dependant from April 2008)	2 year initial grant. 3-year extension on application, in line with primary applicant.	A dependant can apply for settlement in line with the primary applicant, but time spent as a dependant will not found an independent application.	Yes—subject to statutory laws where underage dependant.	HSM dependant can work for any employer in the UK	No. HSM dependants cannot bring wider family members to the UK—family dependency must tie to primary work permit holder

Student (Tier 4 from 2009)	For duration of specified course e.g. 4 year max	No. Time as student does not count towards settlement and citizenship, unless under 10 year long residence rule.	Yes	Yes—any employer, up to 20 hours per week during term time, full-time during course holidays but not in “permanent” role. No self-employment	Yes. Student able to bring any children/over-age dependant/spouse/unmarried partner/civil partner to the UK as dependants.
Student Dependant	In line with student course e.g. 4 years max.	No. Time as student dependant does not count towards settlement and citizenship, unless under 10 year long residence rule.	Yes	Student dependant can work full-time for any employer in the UK	No. Student dependants cannot bring wider family members to the UK—family dependency must tie to primary student
Working Holidaymaker (WHM) (category will be obsolete from 3rd quarter 2008—Tier 5 exchange only)	2 year grant. Non extendable	No. Time as WHM does not count towards settlement and citizenship—it is a temporary category	Yes	Yes—any employer(s) for 12 months only of 2 year total.	No
Dependant of a person present and settled A British citizen or settled person in UK can bring children/over-age dependant/spouse/unmarried partner/civil partner to the UK as dependants.	2 years	Yes. Time as a dependant does count towards settlement after 2 years and citizenship.	Yes—subject to age restrictions for underage dependants	Yes—any employer in the UK	No. Dependants cannot bring wider family members to the UK—family dependency must tie to person present and settled

Source: Immigration Law Practitioners' Association (ILPA). Note: The table covers many types of immigration status and is not a complete list.

APPENDIX 9: MEASURING AND PREDICTING IMMIGRATION FROM EASTERN EUROPE

A study⁸³ commissioned by the Home Office before EU enlargement in May 2004 predicted that enlargement would lead to an average annual net immigration of 5,000–13,000 A8 nationals for the period up to 2010. According to ONS data, annual net immigration of A8 nationals during 2005–06 was 66,000, more than four times higher than predicted. It is likely that, in practice, the discrepancy between predicted and actual net immigration of A8 workers is even higher. ONS data suggest that the annual gross inflow of A8 immigrants during 2005–06 was 84,000.⁸⁴ In contrast, according to data from the Worker Registration Scheme (WRS) that was set up in May 2004, the average annual number of A8 workers registering for employment during 2005–06 was 216,000, almost three times the ONS figure (which excludes immigrants who say that they intend to stay for less than 12 months when they arrive in the UK).⁸⁵

In total, more than 765,000 A8 workers—of whom two thirds are from Poland—have registered for employment in the UK since gaining free access to the UK’s labour market when their countries joined the EU in May 2004. Although the WRS data include short and long term migrant workers, they underestimate the total inflow of A8 workers as a number of groups are exempted from the registration requirement, most notably self-employed persons and students (some of whom will take up part-time employment). The WRS figures also exclude A8 nationals who choose not to register and those who do not take up employment (in which case there is no registration requirement).

Professor Christian Dustmann, one of the authors of the study commissioned by the Home Office, pointed out that the predictions were based on two important limitations which partly explain the discrepancy with the actual level of net immigration of A8 nationals since May 2004. First, due to a lack of historical data on immigration from A8 countries to the UK, the predictions for post-enlargement immigration from the A8 countries came from a model whose parameters had to be estimated using historical data for a different set of countries. Second, the estimate assumed that all 15 member states of the pre-enlarged EU would open their labour markets to workers from the new EU member states at the same time. In the end, only three countries granted A8 workers the unrestricted right to work in May 2004 (the UK, Ireland and Sweden), which boosted the number of A8 workers that came to the UK. Professor Dustmann said he was “absolutely sure that if Germany had opened its labour market to the accession countries we would have seen lower inflows to the UK” (Q 179).

⁸³ Dustmann et al. (2003) The impact of EU enlargement on migration flows, Home Office Online Report 25/03

⁸⁴ ONS, Total International Migration (TIM) tables, 1991–2006

⁸⁵ Home Office 2008, Accession Monitoring Report, May 2004–December 2007

APPENDIX 10: IMMIGRATION RULES AND RECENT STATISTICS

Family Members

The Immigration Rules provide for the following family members of British citizens or settled persons to enter or remain in the UK: fiancés, proposed civil partners, spouses, civil partners, unmarried partners, same sex partners, children, parents, grandparents and other dependent relatives. To qualify for leave as a family member, an individual would need to demonstrate that they meet the requirements of the Immigration Rules (see below).

Provisions for fiancés and proposed civil partners

To qualify for leave to enter as a fiancé or proposed civil partner (of a British citizen or settled person), the following requirements must be met:

- the parties to the marriage/civil partnership must have met;
- both parties must intend to live permanently with the other as his or her spouse or civil partner after the marriage/civil partnership;
- the parties must be able to maintain and accommodate themselves without recourse to public funds

If the requirements of the rules are met, leave to enter will be granted for 6 months.

Provisions for spouses, civil partners, unmarried partners and same sex partners

To qualify for leave to enter as a spouse or civil partner (of a British citizen or settled person), the following requirements must be met:

- the parties to the marriage/civil partnership must have met;
- both parties must intend to live permanently with the other as his or her spouse or civil partner;
- the marriage/civil partnership must be subsisting;
- the parties must be able to maintain and accommodate themselves without recourse to public funds.

In addition, to qualify for leave to remain as a spouse or civil partner, a person must have been granted a period of leave of more than six months (unless they entered with a fiancé or proposed civil partner visa). This prevents applicants who have arrived as visitors or short term students from 'switching' into the marriage category.

To qualify for leave to enter as an unmarried or same sex partner (of a British citizen or settled person), the following requirements must be met:

- the parties must have been living together in a relationship akin to marriage or civil partnership which has subsisted for two years or more;
- the parties must intend to live together permanently;
- the parties must be able to maintain and accommodate themselves without recourse to public funds.

If the above requirements are met, a person will be granted a period of 2 years leave to enter or remain ('the probationary period'). This period allows us to test the genuineness and permanence of the relationship.

To qualify for indefinite leave to remain (ILR) If the marriage/civil partnership/relationship is still subsisting at the end of this period and the partner is, a person will be granted ILR.

Provisions for children

The Immigration rules provide for leave to enter or remain to be granted to a child of a parent, parents or a relative present and settled or being admitted for settlement in the UK. The main points are that the child must be:

- under the age of 18;
- not leading an independent life, is unmarried and has not formed an independent family unit;
- maintained and accommodated without recourse to public funds.

The rules also provide for indefinite leave to enter to be granted to an adopted child of a parent or parents settled and settled or being admitted for settlement in the UK.

Provisions for parents, grandparents and other dependent relatives

To qualify for indefinite leave to enter or remain as a parent, grandparent or other dependent relative (of a British citizen or settled person), the following requirements must be met:

- a parent or grandparent aged 65 or over (or if under 65 living alone in the most exceptional compassionate circumstances); or
- the son, daughter, sister, brother, uncle or aunt over the age of 18 if living alone outside the UK in the most exceptional compassionate circumstances;
- is financially wholly or mainly dependent on the relative present and settled in the UK;
- has no other close relatives in his own country to whom he/she could turn to for financial support;
- will be maintained and accommodated without recourse to public funds.

Statistics

These statistics are taken from *Control of Immigration Statistics 2006*.

Grants of leave to enter for 2 year probationary period

	2003	2004	2005	2006
Spouses, fiancés, civil partners, proposed civil partners, unmarried partners and same sex partners	31,400	35,300	41,600	47,100

Grants of settlement by category

	2003	2004	2005	2006
Spouses, civil partners, unmarried partners and same sex partners	48,160	21,105	24,295	42,725
Children	8,950	5,850	6,715	9,290
Parents and grandparents	3,090	1,985	1,450	1,470
Other	5,000	4,300	4,880	6,325

Source: Home Office note received in March 2008

APPENDIX 11: IMMIGRATION POLICY IN THE UK BEFORE THE NEW POINTS-BASED SYSTEM

In early 2006, the Government announced its plans to reform the UK's immigration policies by introducing a points-based system for non-EEA nationals.⁸⁶ As explained in Appendix 12, the new system has five Tiers. Tier 1 for highly skilled workers started operating in February 2008, with the remaining few Tiers to be launched over the next two years.

The UK's policies for regulating immigration are extremely complex. Prior to the points-based system there are more than 80 different routes of entry for non-EEA nationals to the UK, each governed by specific rules and regulations. Table 1 shows the available Home Office data on the number of annual admissions of non-EEA nationals for the most important channels of entry that are associated with a limited or unlimited right to work in the UK's labour market.

Table 1
Gross inflows of non-EEA nationals* with limited or unlimited right to work in the UK, 2000–06**

Thousands	2000	2001	2002	2003	2004	2005	2006
Students ^a	313.0	339.0	369.0	319.0	294.0	284.0	309.0
Family/dependants ^{***} _a	74.2	78.0	85.4	87.2	94.3	104.9	118.4
Work permit holders ^a	67.1	81.1	85.6	81.4	82.7	91.5	96.6
Working holiday-makers ^a	38.4	35.8	41.7	46.5	62.4	56.6	43.7
Seasonal Agricultural Workers ^a	10.1	8.4	16.9	20.7	15.0	13.0	14.2
Domestic workers ^a	14.3	10.5	10.1	10.6	10.4	10.1	12.5
UK ancestry ^a	10.9	10.7	10.4	9.2	7.7	8.3	8.5
Au-pairs ^a	12.9	12.0	12.8	15.3	5.6	2.4	1.8
Sector-based Scheme workers ^b	x	x	x	7.8	16.9	7.4	
Highly Skilled Migrant Programme ^{b,c}	x	x	1.1	3.6	7.4	17.6	

* The figures include EU10 nationals until May 2004, and exclude them afterwards.

** Immigration channels that are not associated with a right to work—such as asylum seekers (24 thousand in 2006) and ordinary visitors (5.7 million in 2006)—are excluded from Table 1. Note that some migrants entering on visitor visas may switch to other visa categories after entering the UK.

*** Family/dependants includes husbands (14.2 thousand in 2006), wives (26.7 in 2006), fiancés (male and female, 6.1 in 2006), children (5.8 in 2006), dependants of work permit holders (48.5 in 2006) and dependants of students (17.0 in 2006).

Sources: a Home Office (August 2007, Tables 2.2, 2.4, 2.5, 2.6)

b Salt and Millar (2006)

c HSMP Services UK (<http://www.hsmp-services.co.uk/>)

⁸⁶ Home Office (2006), "A Points-Based System: Making Migration Work for Britain"
<http://press.homeoffice.gov.uk/press-releases/points-based-migration>

Work permits for skilled and highly skilled migrants

Not limited by a quota, the number of work permits issued to skilled migrants increased from fewer than 30,000 in the mid 1990s to an annual average of over 80,000 throughout 2001–04. Unless the vacancy falls under the list of “shortage occupations” drawn up by the Home Office, employers applying for work permits for skilled non-EU migrants need to prove that they cannot find a local (EU) worker to do the job (“labour market test”). The effectiveness of the UK’s labour market test is unclear. Other countries’ experiences suggest that labour market tests are very difficult to implement in practice, not least because employers have shown considerable ingenuity in ensuring that no local workers are found to fill their vacancies when it suits them. Employers can tailor the job description specifically to match the skills and qualifications of someone they want to hire from abroad.

In addition to the main work permit scheme for skilled migrants, the Government also introduced the Highly Skilled Migrants Programme (HSMP) in 2002. This points-based labour immigration programme aimed at attracting highly skilled migrants by offering them the opportunity to move to the UK without having a prior job offer. Migrants living and working in the UK on permits issued under the HSMP or the main work permit scheme had the right to apply for permanent residence (“indefinite leave to remain”) after five years of residence in the UK. Both skilled and highly skilled work permit holders can bring spouses, partners and children as dependants to the UK (see Appendix 8).

Work permits for low-skilled migrants and employment-related permits

The UK’s low-skilled immigration programmes for non-EEA nationals over the past few years did not grant migrants the right to family reunion or the right to permanent settlement in the UK. The list below shows the main programmes for admitting non-EEA migrants for low-skilled employment in recent years. Some of these programmes have very recently been restricted to Romanians and Bulgarians (who have been EU nationals since 2007):

The “Seasonal Agricultural Worker Scheme” (SAWS) admits a limited number of non-EU students for temporary employment (max six months) in agriculture; capped by a quota of 16,000 in 2006. In 2007, 40% of the quota had to be filled by Romanians and Bulgarians.

The “Sector Based Scheme” (SBS) allowed UK employers to recruit a limited number of non-EEA workers for temporary employment (max. one year) in selected low-skilled jobs in the hospitality and food processing sectors. When recruiting migrants through this scheme employers must pass a labour market test. Numbers were limited to a quota of 15,000 in 2005 and the hospitality programme ended in late 2005. Since 2007, the SBS programme is for Romanians and Bulgarians only (quota of 3,500 in 2007).

The “Au-pair scheme” is officially a cultural exchange scheme rather than a labour immigration programme, allowing nationals of certain countries to spend a maximum of two years helping private households in the UK for a maximum of 25 hours per week. There is no quota.

The “Domestic worker scheme” is for domestic workers who travel to the UK with their employers. There is no quota.

The “Working Holidaymaker Scheme” enables Commonwealth citizens aged 17–30 to visit the UK for an extended holiday of up to two years. During this period,

working holidaymakers are allowed to work for up to twelve months. Again no quota applies.

Students

Non-EEA nationals may come to the UK as students if they have been accepted on to a course of study by an organisation which is on the register of education and training providers.⁸⁷ Student visas are issued for the duration of the course with a maximum period of four years. Time spent in the UK as a student does not count towards settlement and citizenship. Non-EEA nationals on students visas may legally work up to 20 hours during term-time and full-time during vacations. However, they are not allowed to work in a “permanent” role, nor as self employed (see Appendix 8).

Table 2, taken from Salt and Millar (2006), shows the total inflow of all foreign workers (including EEA workers) by channel of entry in 2005 (but note that this table excludes students who have a limited right to work in the UK).

Table 2
Foreign labour inflows by route of entry; 2005

	Number	Per cent
Worker registration scheme ^a	194, 953	48.6
Work permits ^b	86,191	21.5
EU and EFTA ^c	35,200	8.8
Working Holiday Makers ^d	20,135	5.0
Highly Skilled Migrant Programme ^b	17,631	4.4
Seasonal Agricultural Workers Scheme ^b	15,455	3.9
Domestic Servants ^e	10,100	2.5
UK Ancestry ^e	8,260	2.1
Sector Based Schemes ^b	7,401	1.8
Au Pairs ^e	2,360	0.6
Science and Engineering Graduates Scheme	2, 699	0.7
Ministers of Religion ^e	530	0.1
Total	400,915	100.0

Sources: a - Home Office; b - Work Permits (UK); c - IPS (latest data are for 2004); - UK Visas; e - IRSS admissions

⁸⁷ See <http://www.bia.homeoffice.gov.uk/studyingintheuk/howtocometostudy/>

APPENDIX 12: THE NEW POINTS-BASED SYSTEM

In early 2008, the Government began to phase in a new “points-based” system for managing the migration of non-EEA nationals to the UK.⁸⁸ Importantly, the immigration of family/dependants and asylum seekers/refugees will remain outside the new system. Students are included. The planned new system will have five Tiers:

Tier 1: Highly skilled migrants (launched in the first quarter of 2008)

Tier 2: Skilled migrant workers (to be launched in the third quarter of 2008)

Tier 3: Low-skilled workers (currently no programmes planned)

Tier 4: Students (early 2009)

Tier 5: Youth mobility and temporary workers (third quarter of 2008)

In contrast to Australian and Canadian points-systems, none of the permits issued under the UK’s new system will grant migrants permanent residence immediately upon arrival in the UK. Tiers 1 and 2 can lead to permanent settlement, while Tiers 3 and 5 are strictly temporary routes of immigration. Tier 4 for students is also a temporary route of immigration but migrants may switch to Tier 1 or 2 (which can lead to permanent settlement). All migrants entering the UK under Tiers 2–5 will require a licensed sponsor (employer or educational institution) in the UK. Sponsors will have a number of responsibilities including notifying the Home Office if the migrant worker/student does not turn up for work or study. Except for investors (a sub-category of Tier 1), all migrants entering the UK under Tier 1 and 2 must prove their competence in English.

Tier 1

Tier 1 for highly skilled migrants is the only part of the new system that partially resembles the points-systems in Australia and Canada. As explained in a “Statement of Intent” published in December 2007 by the Home Office, Tier 1 will operate different criteria for “general” (highly skilled) migrants, entrepreneurs, investors, and students who wish to take up employment after finishing their studies in the UK. Under the “general” category, points will be awarded for qualifications (max 50 points), previous earnings (45 points), age (20 points) and for whether or not previous earnings or qualifications were obtained in the UK (5 points). The pass mark is 75 points. Table 1 shows how points will be awarded under the “general” sub-category of Tier 1.

⁸⁸ See

<http://www.bia.homeoffice.gov.uk/managingborders/managingmigration/apointsbasedsystem/>

Table 1

Highly Skilled tier, General sub-category*Specific criteria (pass mark=75)*

The criteria specific to this sub-category will be those that have been in force since 5 December 2006 for the Highly Skilled Migrant Programme, except that there will no longer be an MBA provision.

Criteria specific to the sub-category: pass mark=75							
Qualifications		Previous Earnings (£s per annum)		Age		Other	
Bachelor's	30	16,000–17,999	5	under 28	20	If Previous Earnings or Qualifications have been gained in the UK	5
Master's	35	18,000–19,999	10	28 or 29	10		
PhD	50	20,000–22,999	15	30 or 31	5		
		23,000–25,999	20				
		26,000–28,999	25				
		29,000–31,999	30				
		32,000–34,999	35				
		35,000–39,999	40				
		40,000+	45				

The Government started phasing in the regulations for Tier 1 in late February 2008. The Home Office explains: “Any highly skilled foreign nationals currently working in Britain who want to extend their stay will need to apply under the new system. In April, the new system will begin to be rolled out overseas when anyone from India who wants to work in the UK as a highly skilled migrant will need to apply under PBS. By the summer the new highly skilled system will operate worldwide”.⁸⁹

Tier 2

Tier 2 for skilled migrants builds on the current main work permit system. All jobs advertised for Tier 2 permits need to require a minimum skill level of NVQ3 or equivalent. All applicants under Tier 2 need to have a job offer from an employer who is licensed by the Border and Immigration Agency as an approved sponsor. Applicants also need to prove their competence in English. As explained in Table 2 below, four routes have been proposed—three direct routes and one indirect route—to gain a work permit under Tier 2 (the regulations are still being finalized).

⁸⁹ See <http://www.bia.homeoffice.gov.uk/sitecontent/newsarticles/newpbsbegins>

Table 2**Description of possible Tier 2 (pass mark = 50 points)**

Final details to be announced by the Home Office	
<u>Initial criteria</u>	
<ul style="list-style-type: none"> • NVQ 3+ level job • English at level B2 on the Council of Europe's Common European Framework of Reference for Languages (CEFR) • Need 50 points 	
<u>Direct routes to full 50 points</u>	
<ul style="list-style-type: none"> • Shortage occupation (MAC recommends) • Intra-Company Transfers (6+ months experience at employer, paid at UK going rate) • Pay above certain threshold (level to be confirmed) 	
<u>Alternative routes to 50 points</u>	
• Resident Labour Market Test passed	30 points
• NVQ3/BSc/MSc/PhD	5/10/10/15 points
• Annual pay £k 17–20/20–22/22–24/24–40	5/10/15/20 points

Source: Migration Advisory Committee 2008, 'Preliminary comments on data and methodology', published in January 2008

Tier 3

Under the Government's current plans, Tier 3 is not to be used initially as employers are expected to meet all their low-skilled vacancies with workers from within the EEA. The existing low-skilled programmes for non-EEA nationals have been phased out.

Migration Advisory Committee (MAC) and Migration Impacts Forum (MIF)

Two new bodies have been set up to advise the Government on immigration. The Migration Impacts Forum (MIF) advises the Government on social and local impacts of immigration. The Migration Advisory Committee (MAC) is a non-departmental public body made up of independent labour market and migration economists. The MAC was set up to provide transparent, independent and evidence-based advice to the Government on where skilled labour market shortages exist that can "sensibly" be filled by migration. The Government has also stated that it may, from time to time, ask the MAC to advise on other matters relating to migration.

The MAC's current remit is limited to producing the shortage occupations list for Tier 2. The Government asked the MAC to produce a list for the UK as a whole, and a separate list for Scotland only. The first shortage occupation list will be published in June 2008, in time for the launch of Tier 2 later this year.⁹⁰

⁹⁰ See Migration Advisory Committee 2008, 'Preliminary comments on data and methodology', published in January 2008

APPENDIX 13: GLOSSARY

A2	EU Accession States: Bulgaria and Romania
A8	EU Accession States: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia
A&E	Accident and Emergency
BMA	British Medical Association
BNE	Business for New Europe
CBI	Confederation of Business Industry
CEFR	Common European Framework of Reference for Languages
COMPAS	Centre on Migration, Policy and Society
DWP	Department for Work and Pensions
EEA	European Economic Area
EU	European Union
GAD	Government Actuary's Department
GDP	Gross Domestic Product
GP	General Practitioner
HSMP	Highly Skilled Migrants Programme
ILPA	Immigration Law Practitioners' Association
ILR	Indefinite Leave to Remain
IPPR	Institute for Public Policy Research
ITEM Club	Independent Treasury Economic Model (an independent economic forecasting group)
LFS	Labour Force Survey
LGA	Local Government Association
LSE	London School of Economics
MAC	Migration Advisory Committee
MIF	Migration Impacts Forum
MPC	Monetary Policy Committee
NFU	National Farmers Union
NGO	Non-Governmental Organisation
NHF	National Housing Federation
NHS	National Health Service
NIESR	National Institute for Economic and Social Research
Nimby	Not In My Backyard
NMW	National Minimum Wage
NUT	National Union of Teachers
NVQ	National Vocational Qualification

OECD	Organisation for Economic and Cooperation Development
ONS	Office for National Statistics
PBS	Points Based System
REC	Recruitment and Employment Confederation
SAWS	Seasonal Agricultural Workers Scheme
SBS	Sector Based Scheme
SOLACE	Society of Local Authority Chief Executives and Senior Managers
TIM	Total International Immigration
TUC	Trades Union Congress
UCATT	Union of Construction, Allied Trades and Technicians
UK	United Kingdom
WRS	Worker Registration Scheme