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Positive economic impact of UK immigration from the European Union: new evidence

European immigrants to the UK have paid more in taxes than they received in benefits, helping to relieve the fiscal burden on UK-born workers and contributing to the financing of public services – according to new research by the UCL Centre for Research and Analysis of Migration (CReAM).

European immigrants who arrived in the UK since 2000 have contributed more than £20bn to UK public finances between 2001 and 2011. Moreover, they have endowed the country with productive human capital that would have cost the UK £6.8bn in spending on education. Over the period from 2001 to 2011, European immigrants from the EU-15 countries contributed 64% more in taxes than they received in benefits. Immigrants from the Central and East European ‘accession’ countries (the ‘A10’) contributed 12% more than they received.

These are the central findings of new analysis by **Professor Christian Dustmann** and **Dr Tommaso Frattini** of the fiscal consequences of European immigration to the UK, published by the Royal Economic Society on Wednesday 5 November 2014 in the *Economic Journal*.

The research provides an in-depth analysis of the net fiscal contribution of UK immigrants, drawing a distinction between immigrants from the 10 Central and East European EU member states that joined since 2004 (the A10), other European Economic Area (EEA) immigrants and non-EEA immigrants. Its main findings are:

- The positive net fiscal contribution of recent immigrant cohorts (those arriving since 2000) from the A10 countries amounted to almost £5bn, while the net fiscal contributions of recent European immigrants from the rest of the EU totalled £15bn. Recent non-European immigrants’ net contribution was likewise positive, at about £5bn. Over the same period, the net fiscal contribution of native UK born was *negative*, amounting to almost £617bn.
- Immigrants who arrived since 2000 were 43% less likely than natives to receive state benefits or tax credits. They were also 7% less likely to live in social housing.
- European immigrants who arrived since 2000 are on average better educated than natives (in 2011, 25% of immigrants from A10 countries and 62% of those from EU-15 countries had a university degree, while the comparable share is 24% among natives) and have higher employment rates (81% for A10, 70% for EU-15 and 70% for UK natives in 2011).
- The value of the education of immigrants in the UK labour market who arrived since 2000 and that has been paid for in the immigrants’ origin countries amounts to £6.8bn over the period between 2000 and 2011. By contributing to ‘pure’ public goods (such as defence or basic research), immigrants arriving since 2000 have saved the UK taxpayer an additional £8.5bn over the same period.
- Considering all immigrants who were living in the UK over the years between 1995 and 2011, a period over which the net fiscal contribution of natives was negative (and accumulated to about £591bn), EEA immigrants contributed 10% more than natives (in relative terms), while non-EEA immigrants’ contributions were almost 9% lower.
- Over the same period from 1995 to 2011, immigrants who lived in the UK endowed the UK labour market with human capital that would have cost about £49bn if it were produced through the UK education system, and contributed about £82bn to fixed or ‘pure’ public goods.

Professor Christian Dustmann, Director of CReAM and co-author of the study, said:

“A key concern in the public debate on migration is whether immigrants contribute their fair share to the tax and welfare systems. Our new analysis draws a positive picture of the overall fiscal contribution made by recent immigrant cohorts, particularly of immigrants arriving from the EU.

“Responding to comments on our earlier report on this topic published last year, we performed extensive sensitivity analysis, which does not alter our main conclusions: immigration to the UK since 2000 has been of substantial net fiscal benefit, with immigrants contributing more than they have received in benefits and transfers. This is true for immigrants from Central and Eastern Europe as well as the rest of the EU.

“When we additionally consider that immigrants bring their own educational qualifications whose costs are borne by other countries and that they contribute to financing fixed public services such as defence, these contributions are even larger.

“European immigrants, particularly, both from the new accession countries and the rest of the European Union, make the most substantial contributions. This is mainly down to their higher average labour market participation compared with natives and their lower receipt of welfare benefits.”

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- 1.) For more information or interview requests please contact Romesh Vaitilingam on +44 (0)7768 661 095, email: romesh@vaitilingam.com, Twitter: @econromesh or Ruth Howells (UCL Media Relations) on +44 (0)7990 675 947, email: ruth.howells@ucl.ac.uk
- 2.) The paper will appear in *The Economic Journal*, embargoed until 00.01 UK time Wednesday 5 November 2014, available at: <http://onlinelibrary.wiley.com/doi/10.1111/eoj.12181/abstract> It will also be published on the CReAM website <http://www.cream-migration.org/files/FiscalEJ.pdf> For an advance copy of the paper please contact Romesh Vaitilingam or Ruth Howells.
- 3.) The research was conducted by Professor Christian Dustmann and Dr Tommaso Frattini from the UCL Centre for Research and Analysis of Migration (CReAM), part of UCL Economics. The investigation is based on data from the UK's Labour Force Survey, as well as on a multitude of official reports from several Government Departments, which are combined with data on tax receipts from the Budget Reports and with expenditures data from the Public Expenditure Statistical Analyses published by HM Treasury.

About UCL Centre for Research and Analysis of Migration (CReAM)

CReAM is an independent and interdisciplinary research centre within UCL Economics. CReAM's research focuses on the causes, patterns and consequences of international population mobility and movements affecting UK, Europe and associated global processes. CReAM aims at informing the public debate on migration in the UK and in Europe by providing new insight, helping to steer the current policy debate in a direction that is based on carefully researched evidence without partisan bias. CReAM contributes to the development of new theories and methodological advances in data analysis, ensuring the ability to contribute and inform on a wide range of issues of policy concern, and establishing a reputation for analysis that is accepted as open, transparent and reliable.

About the Royal Economic Society

The Royal Economic Society is one of the oldest and most prestigious economic associations in the world. It is a learned society, founded in 1890 to promote the study of economic science. Now, the Society publishes *The Economic Journal* and *The Econometrics Journal*; engages with the media and with the policy communities; and supports education, training and career development of economists and holds the RES Annual Conference, a major international gathering of academic economists.