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RECENT IMMIGRATION TO THE UK: NEW EVIDENCE OF THE FISCAL COSTS AND BENEFITS

UK immigrants who arrived since 2000 are less likely to receive benefits and less likely to live in social housing than UK natives. What's more, over the decade from 2001 to 2011, they made a considerable positive net contribution to the UK's fiscal system, and thus helped to relieve the fiscal burden on UK-born workers.

The positive contribution is particularly evident for UK immigrants from the European Economic Area (EEA – the European Union plus three small neighbours): they contributed about 34% more in taxes than they received in benefits over the period 2001-11.

These are the central findings of a comprehensive analysis of the fiscal consequences of immigration to the UK, published today by the Centre for Research and Analysis of Migration (CReAM) at University College London.

The research report – written by Professor Christian Dustmann and Dr Tommaso Frattini – provides an in-depth analysis of the net fiscal contribution of EEA immigrants in each fiscal year since 1995. Its main findings are that:

- Recent immigrants (those who arrived after 1999 and who constituted 33% of the overall immigrant population in the UK in 2011) were 45% less likely to receive state benefits or tax credits than UK natives over the period 2000-11. They were also 3% less likely to live in social housing.
- Over the same period, recent EEA immigrants have on average contributed 34% more in taxes than they have received as transfers. Recent immigrants from countries outside the EEA have contributed 2% more in taxes than they have received as transfers.
- In contrast, over the same period, the total of UK natives' tax payments were 11% lower than the transfers they received.
- Recent immigrants are also far better educated than natives: in 2011, 32% of recent EEA immigrants and 43% of recent non-EEA immigrants had a university degree. The comparable figure for UK natives is 21%.

The estimated net fiscal contribution of immigrants increases even more if one considers that immigration helps in sharing the cost of fixed public expenditures (which account for over 20% of total public expenditure) among a larger pool of people, thus reducing further the financial burden for UK natives.

The main reasons for the large net fiscal contribution of recent EEA immigrants are their higher average labour market participation (compared with natives) and their lower receipt of welfare benefits.

Professor Christian Dustmann, director of CReAM and co-author of the study, says:

‘Our research shows that in contrast with most other European countries, the UK attracts highly educated and skilled immigrants from within the EEA as well as from outside.

‘What’s more, immigrants who arrived since 2000 have made a very sizeable net fiscal contribution and therefore helped to reduce the fiscal burden on UK-born workers.

‘Our study also suggests that over the last decade or so, the UK has benefited fiscally from immigrants from EEA countries, who have put in considerably more in taxes and contributions than they received in benefits and transfers.

‘Given this evidence, claims about “benefit tourism” by EEA immigrants seem to be disconnected from reality.’

ENDS

Notes for editors: The investigation is based on data from the British 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.

The research was conducted by Prof. Christian Dustmann and Dr Tommaso Frattini from UCL’s Centre for Research and Analysis of Migration (CReAM) at University College London.

The research will be published as CReAM Discussion Paper No. 22/13, available from 00:01 hours Tuesday 5 November

http://www.cream-migration.org/publ_uploads/CDP_22_13.pdf

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