

For immediate release, Wednesday 12 March 2014

FISCAL EFFECTS OF IMMIGRATION TO THE UK: A rebuttal of Migration Watch claims

Migration Watch (MW) has released for publication tomorrow – Thursday 13 March 2014 – a report entitled ‘An Assessment of the Fiscal Effects of Immigration to the UK’.

In this report, MW claims that our research paper on ‘The Fiscal Effects of Immigration to the UK’ [http://www.cream-migration.org/publ_uploads/CDP_22_13.pdf], released on 5 November 2013, has some flaws that invalidate our main results – namely that immigrants from the European Economic Area (EEA) who came to the UK since 2000 have contributed over the last 11 years substantially more in revenues than they received in state expenditures. This contrasts with the UK-born, who over the same period contributed substantially less than they received.

Their main criticisms relate to three points. The first and second points are unfortunately based on a serious misinterpretation of the methodology we have used in our work, which leads to fundamental mistakes that invalidate their calculations. The third point has been already raised by other commentators in the past. We have responded to that point in much detail [<http://creamcomments.blogspot.it/2013/11/further-response-to-comments-on-fiscal.html>], and show that it does not affect the basic conclusions of our paper.

MW states that our main results – that EEA immigrants who came to the UK since 2000 have contributed over the last 11 years substantially more in revenues than they have received in state expenditures – is ‘simply wrong’ because it relies on the assumptions that (page 7, point xi (a) of their report):

(1) [Migrant] employees earn the same as the UK-born population; (2) Self-employed migrants contribute far more than those employed; (3) Migrants own the same investments, property and other assets as the UK-born and long-term residents from the day they arrive in the UK.

Their first claim is simply incorrect. At no point do we make assumption (1). We rather allocate earnings (and the ensuing tax receipts) according to the figures on earnings for immigrants and natives that we obtain from the UK Labour Force Survey (LFS).

Their second claim is also incorrect. At no point do we make assumption (2). In fact, in the absence of information on self-employed earnings, we allocate tax payments of the self-employed according to the shares of income tax payments computed for employees. This may rather lead to an *underestimate* of the income taxes paid by immigrants, as relatively more immigrants are self-employed.

Finally, we have responded to the third point in an earlier reply from November (ignored in the MW report), where we compute an extreme scenario where recent immigrants pay *no* corporate taxes and business rates whatsoever, and allocate these taxes to long-term residents only. We still find that recent EU immigrant make a positive contribution, while the net contribution of natives remains negative.

To summarise, MW’s conclusion that the net contribution of EU immigrants who came to the UK since 2000 is ‘more likely to be a net cost of that amount [of £25 billion]’ is based on stark misapprehension of what we are doing in our work, and simply wrong.

We provide details at <http://www.cream-migration.org/commentsarticle.php?blog=8>

ENDS